IGM Financial™

ANNUAL REPORT 2008

IGM FINANCIAL INC. is one of Canada's premier financial services companies with $102 billion in total assets under management. The Company serves the financial needs of Canadians through multiple businesses, each operating distinctly within the advice segment of the financial services market. The Company is committed to building on its record of delivering long-term growth and value to its clients and shareholders. IGM Financial Inc. is a member of the Power Financial Corporation group of companies, and its shares are listed on the Toronto Stock Exchange (IGM).

Investors Group™ Mackenzie INVESTMENTS Investment Planning Counsel™ FINANCIAL SOLUTIONS FOR LIFE

Caution Regarding Forward-Looking Statements

Certain statements in this Annual Report, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect IGM Financial's current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for North American and international economics, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

A variety of material factors, many of which are beyond the Company's, and its subsidiaries' control, affect the operations, performance and results of the Company, and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes (including adoption of International Financial Reporting Standards), operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company's success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

Other than as specifically required by law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Company's business is provided in its disclosure materials filed with the securities regulatory authorities in Canada, available at www.sedar.com.

Non-GAAP Financial Measures

This Annual Report contains non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to "adjusted net income", "adjusted diluted earnings per share" and "adjusted return on average common equity" used to provide management and investors with additional measures to assess earnings performance. As well, "Earnings before interest and taxes (EBIT)" and "Earnings before interest, taxes, depreciation and amortization (EBITDA)" are non-GAAP financial measures used to provide management, investors and investment analysts with additional measures to evaluate and analyze the Company's results. However, these non-GAAP financial measures do not have a standard meaning and are not directly comparable to similar measures used by other companies and may not be directly comparable to any prescribed GAAP measure. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

FINANCIAL HIGHLIGHTS

	2008	2007	CHANGE
Net income *($ millions)*			
Adjusted[1]	**$ 766.1**	$ 863.8	**(11.3)%**
GAAP	**730.8**	879.1	**(16.9)**
Diluted earnings per share			
Adjusted[1]	**2.89**	3.23	**(10.5)**
GAAP	**2.76**	3.29	**(16.1)**
Return on equity			
Adjusted[1]	**18.2%**	21.5%	
GAAP	**17.3%**	21.9%	
Dividends per share	**2.000**	1.775	**12.7**
Total assets under management[2] *($ millions)*	**$101,742**	$122,982	**(17.3)%**
Investors Group			
Mutual funds	**47,491**	60,194	**(21.1)**
Mackenzie			
Mutual funds	*35,814*	*46,563*	
Sub-advisory, institutional and other accounts	*18,846*	*16,714*	
Total	**54,660**	63,277	**(13.6)**
Counsel Group of Funds			
Mutual funds	**1,740**	2,268	**(23.3)**

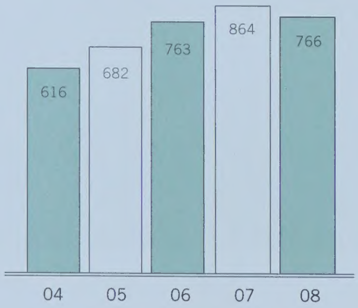
	INVESTORS GROUP	MACKENZIE	COUNSEL GROUP OF FUNDS	TOTAL[3]
Mutual Funds and Institutional Sales *($ millions)*				
Gross sales	**$ 5,946**	**$ 12,295**	**$ 244**	**$ 18,288**
Net sales (redemptions)	**625**	**(2,668)**	**(80)**	**(2,099)**

Total Assets Under Management

As at December 31 *($ billions)*

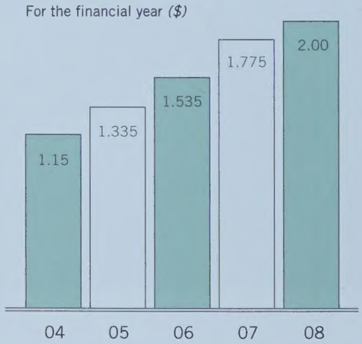
Net Income[1][4]

For the financial year *($ millions)*



Dividends Per Share

For the financial year *($)*



(1) Non-GAAP Financial Measures: 2008 results excluded:

- *$60.3 million charge recorded in the fourth quarter which represented the Company's proportionate share of Great-West Lifeco Inc.'s after-tax impairment charge related to goodwill and intangible assets; and,*
- *$25.0 million gain recorded in the second quarter which represented the Company's proportionate share of Great-West Lifeco Inc.'s after-tax gain on the sale of its healthcare business, Great-West Healthcare.*

2007 results excluded a non-cash income tax benefit of $15.3 million recorded in the fourth quarter resulting from decreases in federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets from the acquisition of Mackenzie Financial Corporation in 2001. There is no expectation that the future tax liability will become payable as the Company has no intention of disposing of these assets.

(2) Total assets under management excluded $2.1 billion of assets sub-advised by Mackenzie on behalf of Investors Group ($2.7 billion at December 31, 2007) and was adjusted for $20 million in inter-segment assets ($31 million at December 31, 2007).

(3) Total Gross Sales and Net Redemptions excluded $197 million and $24 million respectively in accounts sub-advised by Mackenzie on behalf of Investors Group.

(4) 2004 excluded unitholder compensation. 2006 and 2007 excluded a non-cash income tax benefit.

REPORT TO SHAREHOLDERS

IGM Financial and its operating companies experienced a decrease in total assets under management in 2008, primarily from changes in asset values resulting from the global stock market value declines. As a result, net income for the Company was down year over year. Nevertheless, Investors Group Inc. and Mackenzie Financial Corporation, the Company's principal businesses, continued to generate strong activity in terms of product innovation, investment management, resource management and distribution expansion.

The Company is well diversified through its multiple distribution channels, product types, investment management units and fund brands. Assets under management are diversified by country of investment, industry sector, security type and management style. A primary theme in our business model is to support financial advisors as they work with clients to plan for and achieve their financial goals. These strong relationships, and our association with other members of the Power Financial Corporation group of companies, have placed the Company in a position of leadership and strength in the financial services industry. Together, these elements will enable IGM Financial to create long-term value for its clients, consultants, advisors, employees and shareholders over time.

Adjusted net income for the year ended December 31, 2008 was $766.1 million compared to adjusted net income of $863.8 million in 2007. Adjusted earnings per share were $2.89 in 2008 compared to adjusted earnings per share of $3.23 in 2007.

Adjusted net income in 2008 excluded items related to the Company's equity interest in Great-West Lifeco Inc.:

- A $60.3 million charge recorded in the fourth quarter representing the Company's proportionate share of Great-West Lifeco Inc.'s after-tax impairment charge related to goodwill and indefinite life intangible assets;
- A $25.0 million gain recorded in the second quarter representing the Company's proportionate share of Great-West Lifeco Inc.'s after-tax gain related to the sale of its healthcare business, Great-West Healthcare.

Adjusted net income in 2007 excluded a non-cash income tax benefit of $15.3 million recorded in the fourth quarter resulting from decreases in federal corporate income tax rates.

Net income without adjustment for the year ended December 31, 2008 was $730.8 million compared to net income without adjustment of $879.1 million in 2007. Earnings per share on this basis were $2.76 in 2008 compared to $3.29 in 2007.

Total assets under management at December 31, 2008 totalled $101.7 billion. This compared with total assets under management of $123.0 billion at December 31, 2007, a decrease of 17.3%.

Dividends increased for the 19th consecutive year, rising 22.5 cents to $2.00 per share for the year.

INDUSTRY PERSPECTIVE

Towards the end of 2007 and throughout 2008, global stock market volatility has continued based on significant credit concerns and slowing U.S. and global economic growth. In this context, a strong relationship with an advisor to keep focused on long-term financial goals is important.

The significant role of an advisor in helping with financial planning is appreciated by the vast majority of investing Canadians. The Investment Funds Institute of Canada (IFIC) has now published three annual surveys conducted in 2006, 2007 and 2008 indicating that approximately 85% of mutual fund investors preferred to invest through an advisor and they highly rated the support and advice provided by their advisors.

OPERATING HIGHLIGHTS

The Investors Group Consultant network continued to expand to our highest level on record of 4,479 Consultants at December 31, 2008. Since June 30, 2004, we have had 18 consecutive calendar quarters of net growth in the Consultant network. With a further seven region offices announced in 2008, we have 92 region offices across Canada.

Investors Group continued to respond to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice. Throughout the year Consultants worked with clients to help them understand the impact of financial market volatility on their long-term financial planning.

Investors Group mutual fund assets under management

were $47.5 billion at the end of 2008 compared to $60.2 billion in 2007. Gross sales of $5.9 billion were lower than record high gross sales in 2007 of $7.2 billion. Our redemption rate on long-term mutual funds for 2008 was 7.9%, up slightly from our lowest rate on record of 7.3% in 2007. Net sales of mutual funds in 2008 were $625 million.

Mackenzie maintained its focus on delivering consistent long-term investment performance true to the multiple styles deployed in the investment process, while emphasizing product innovation and communication with advisors and investors through this period of market volatility. This quality focus is evidenced by the strength of Mackenzie's relationships with financial advisors, the work undertaken with investor and advisor education programs and tools and its commitment to focusing on active investment management strategies. During 2008, Mackenzie acquired Saxon Financial Inc., and its subsidiaries, expanding our retail and institutional distribution relationships and adding a tenured team of investment professionals with fixed-income and multi-cap value investing experience.

Mackenzie's total assets under management were $54.7 billion, compared to $63.3 billion at December 31, 2007. Gross sales were $12.3 billion down from the prior year level of $12.7 billion. Total net redemptions for the year were $2.7 billion.

IGM Financial continues to build its business through a strategic focus on multiple distribution opportunities delivering high-quality advice, innovative investment and service solutions for investors. Our scale and investment in technology and operations continue to help us manage our resources effectively and develop long-term growth in our business. Our stability in our various businesses, combined with our association with the Power Financial Corporation group of companies, provides the foundation for lasting relationships with our various stakeholders.

LOOKING AHEAD

As Canadians weather the current economic crisis they will increasingly be focused on their short- and long-term financial planning needs.

IGM Financial continues to focus on our commitment to provide quality investment advice and financial products, our service innovations, effective management of the Company and long-term value for our clients and shareholders.

On behalf of the Board of Directors,

Murray J. Taylor
Co-President and
Chief Executive Officer
IGM Financial Inc.

Charles R. Sims
Co-President and
Chief Executive Officer
IGM Financial Inc.

February 13, 2009

INVESTORS GROUP INC.

Investors Group is committed to comprehensive planning delivered through long-term client and Consultant relationships. We provide advice and services through a network of approximately 4,500 Consultants to nearly one million Canadians.

Murray J. Taylor
President and Chief Executive Officer
Investors Group Inc.

HIGHLIGHTS

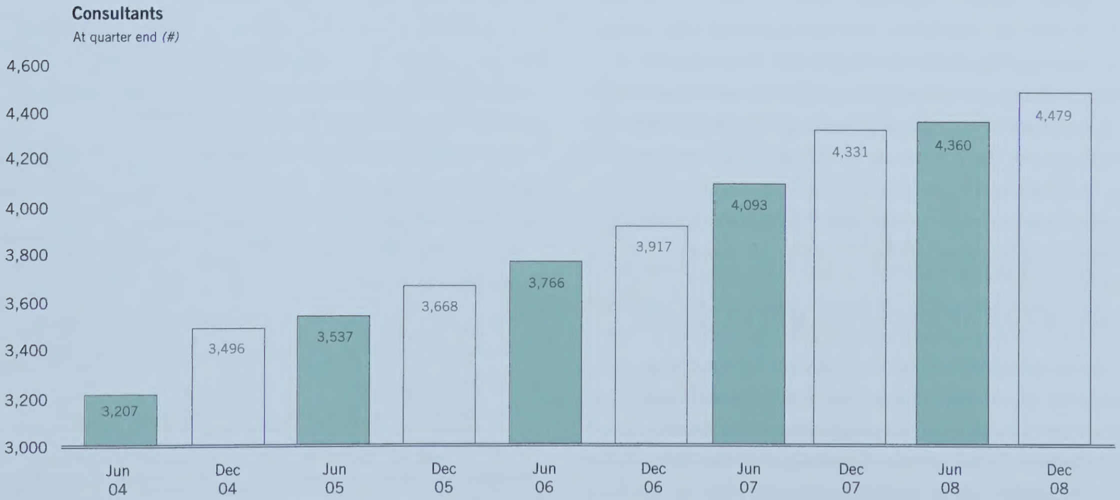
- Growth of the Consultant network continued steadily through the year increasing from 4,331 in 2007 to 4,479 Consultants at the end of 2008. During 2008, we announced seven new region offices leading to a total of 92 region offices serving small communities and large cities across Canada.
- Driven by the strength of our client relationships, the 12-month trailing redemption rate for Investors Group's long-term mutual funds was 7.9% for 2008, substantially below industry levels.
- Mutual fund gross sales, consistent with industry trends, decreased by 17.8% in 2008 to $5.9 billion. Net sales of mutual funds were $625 million, down from $2.2 billion in 2007.
- Assets under management, based on lower market values, declined by 21.1% to $47.5 billion at December 31, 2008.
- Insurance sales based on new annualized premiums grew by 23% in 2008 as our clients reviewed their many financial needs for the future.

REPORT ON OPERATIONS

In 2008, Investors Group continued to make progress in a number of key areas in the context of challenging economic concerns in the global financial markets. Growth in the Consultant network, combined with stable redemption rates, is strong evidence of client and Consultant satisfaction with the calm and steady approach being taken to their long-term financial planning needs.

CONTINUED CONSULTANT NETWORK STRENGTH

During 2008, we announced seven new region offices bringing our expansion since mid-2004 to 26 new region offices. We have now had 18 consecutive quarters of continuous growth since June 30, 2004. During 2003 and early 2004 we introduced many improvements to our training and support programs. Since then, the Consultant network has expanded by 40% from 3,207 to 4,479 at December 31, 2008.



The company's commitment to training and support is integral to our Consultants' ability to deliver effective financial advice in an increasingly complex and volatile market. New Consultants refined their skills through an emphasis on field-based training delivered by experienced field leadership and mentorship from successful senior Consultants. Investors Group's annual APEX conference offers advanced financial planning and practice management training to over 1,500 Consultants each year.

Our culture provides Consultants with an entrepreneurial environment and unique support structure to deliver personalized service and knowledgeable advice to our clients.

As the global economic crisis deepened through the year, we increased levels of communication from our Investment Management and Financial Services leaders to our Consultants, often communicating on a daily basis, so that they would be constantly informed on the various market reactions and important principles to keep in place for healthy long-term planning. Our Consultants, in turn, maintained a high degree of contact with our clients.

PRODUCTS FOR AN EVOLVING MARKETPLACE

The financial planning needs of Canadians are growing in complexity as our clients get older and there are more uncertain times on the economic horizon. Investors Group provides an industry-leading range of products and services to meet these diverse needs. We offer investment management, insurance, securities, mortgage products and other financial services to our clients through integrated financial planning.

Our culture provides Consultants with an entrepreneurial environment and unique support structure to deliver personalized service and knowledgeable advice to our clients.

In addition to our $47.5 billion in mutual fund assets, we have helped our clients establish $48.1 billion in insurance coverage in force and $10.3 billion in *Solutions Banking*† and mortgage loan balances.

Our *Symphony Strategic Investment Planning*™ supports Consultants in building optimized risk-adjusted portfolios for clients and provides enhanced reporting features.

In late 2006, the Investors Group Charitable Giving Program was introduced. One of the few of its kind in Canada, the program offers the opportunity for many Canadians to build an enduring charitable giving legacy while receiving tax benefits today.

Investors Group was one of the first mutual fund companies in Canada to offer the Tax-Free Savings Account (TFSA) to Canadians. In November, Consultants began to meet with clients to introduce the TFSA and

completed account set-up in advance of the January 1, 2009 introduction of the savings program. The TFSA is an important component of a comprehensive financial plan, offering a highly flexible, tax-efficient way to save for retirement or other financial goals.

Investors Group's commitment to the ongoing evolution and expansion of its product and service offering enhances our ability to deliver comprehensive financial planning.

BUILDING COMMUNITIES

In 2008, Investors Group continued to support the communities in which our employees, Consultants, and clients live and work. Consultants and employees have also donated their time and expertise to hundreds of charitable organizations. Our spirit of volunteerism has been strong and continues to be recognized throughout the country.

In June of 2008, Investors Group was proud to present the fifth annual Herbert H. Carnegie Community Service Award to Miles Schiller and the second biennial Herbert H. Carnegie Community Leadership Award to Michael Buhr. The awards are named after Order of Canada recipient and former Investors Group Consultant Herbert Carnegie, who in his 35 years with the company, came to epitomize the qualities of success and care for others in the community. Miles was honoured for his commitment to his community of Lloydminster where he led the fundraising effort that brought the Common Wealth Centre to life and where he works tirelessly to support local health services initiatives. Michael was recognized for his decades-long volunteer work with the Heart and Stroke Foundation and the local Kinsmen Club, as well as for his leadership in supporting local sports programs and bringing major athletic events to his community of Selkirk, Manitoba.

Corporately, Investors Group has a long association with the United Way and its support of local campaigns in communities across Canada. We are also a major supporter of Imagine Canada and Volunteer Canada in encouraging charitable giving and volunteerism by Canadian companies.

Investors Group's long-standing commitment to corporate citizenship is rooted in the strong, enduring relationships we have developed with people in our communities.

BUILDING ON STRENGTH

Investors Group continues to focus on its strengths as building blocks for the future. In 2008, the Consultant network growth, the active engagement of over 1,500 employees, increased communication in response to the global financial situation, and the continual refinement of financial planning, product and service offerings demonstrate the company's commitment to meet the evolving financial needs of Canadians.

Mackenzie INVESTMENTS

MACKENZIE FINANCIAL CORPORATION

Mackenzie provides investment advisory services utilizing proprietary investment research and experienced investment professionals. We distribute our services through multiple distribution channels focused on the provision of independent financial planning through a wide range of investment solutions to meet investor needs.

Charles R. Sims
President and Chief Executive Officer
Mackenzie Financial Corporation

HIGHLIGHTS

- Total sales for the company were $12.3 billion versus $12.7 billion in 2007, a decrease of 3.1%.
- As of December 31, 2008, total assets under management were $54.7 billion, down 13.6% from the prior year-end. Institutional, sub-advised, and other assets under management increased to $18.9 billion, up 12.8% from the prior year. Average assets under management were $59.8 billion, down 5.9% from the prior year.
- We introduced a number of new investment solutions in 2008. Investors were given more choice with the implementation of the Destination* products, a series of target-date products with the added feature of principal protection. Mackenzie also revamped the Symmetry* lineup by adding the Symmetry One portfolios, and launched the Mackenzie Guaranteed Investment Funds, a new line of segregated policies offering the protective features of an insurance policy combined with the benefits of an investment fund. We continued to expand our foreign product offerings with the launch of Universal Africa & Middle East Class and the Ivy American Class.

REPORT ON OPERATIONS

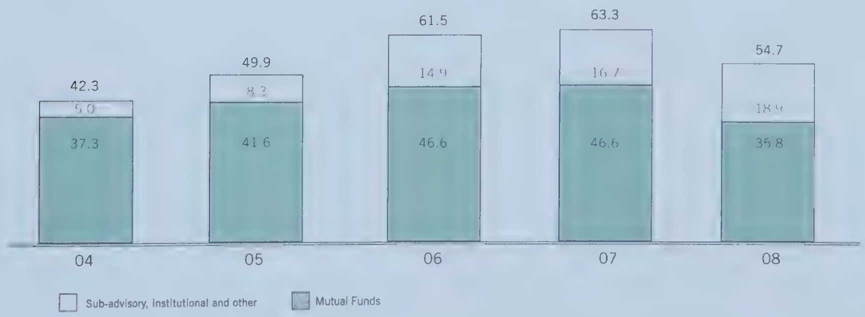
In 2008, Mackenzie and its subsidiaries continued to focus on business growth, product innovation, client effectiveness, and employee development. In January, we acquired the management contracts for the Canadian mutual fund assets of Putnam Investments Inc. and in September, Mackenzie acquired Saxon Financial Inc. and its subsidiaries ("Saxon"). The addition of these entities increased assets under management by $12.4 billion. This increase was more than offset by the negative impact on assets under management of the volatility experienced in the domestic and global equity markets in the second half of the year.

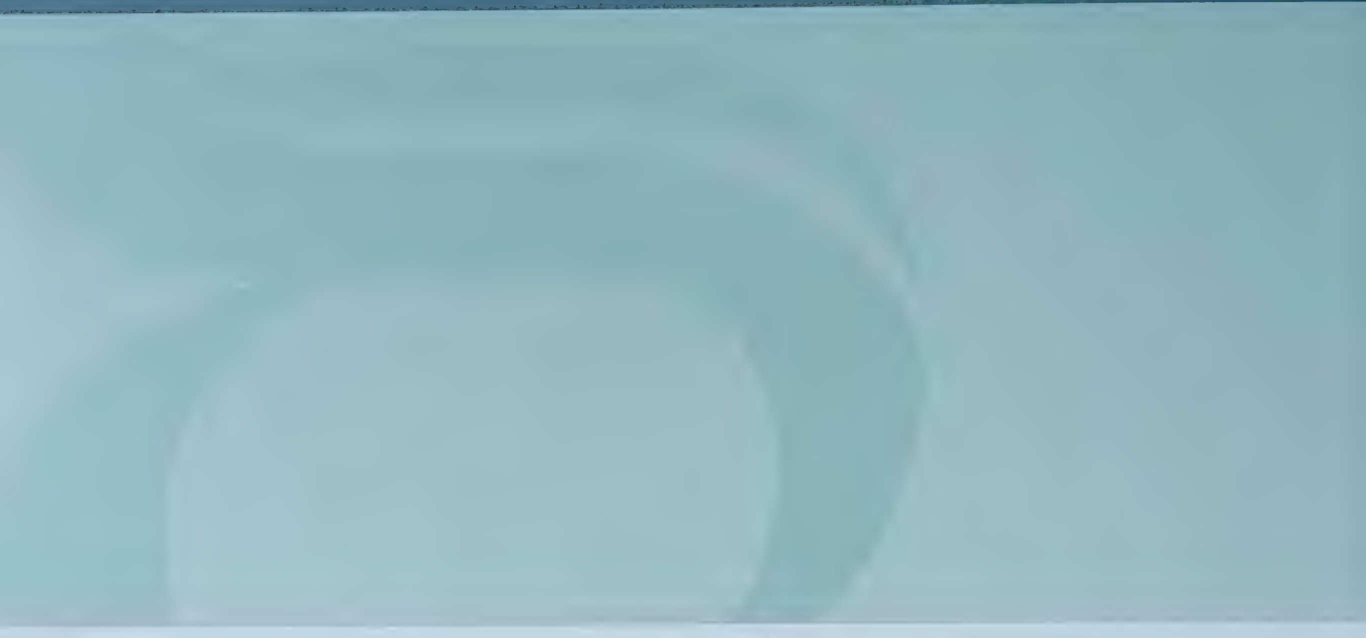
Our product lineup evolved again this year with many changes to increase portfolio manager flexibility, to add additional options for investors looking for regular tax efficient cash flow with the addition of the Tax-Free Savings Account, and to simplify the lineup for advisors and investors.

We remained focused on the effectiveness of our service capabilities within the different lines of the business.

The quality and depth of investment research, and the experience of Mackenzie's portfolio managers and sub-advisors have all contributed to the company's ability to provide clients with high-quality investment products.

Total Assets under Management
As at December 31 *($ billions)*





> The quality and depth of investment research, and the experience of Mackenzie's portfolio managers and sub-advisors have all contributed to the company's ability to provide clients with high-quality investment products.

INVESTMENT MANAGEMENT

Under the Mackenzie master brand, we deploy a sub-branding strategy that includes the Cundill*, Ivy*, Maxxum*, Sentinel*, Focus*, Saxon*, and Universal* sub-brands, to highlight the diverse investment styles and objectives offered within our diversified product lineup. We also provide asset allocation, target-date, and target-risk solutions through the Keystone*, Symmetry*, Destination*, and Star* sub-brands. The quality and depth of investment research, and the talent of Mackenzie's portfolio managers and sub-advisors have all contributed to our ability to provide clients with consistent long-term investment performance results.

DISTRIBUTION

The strength of Mackenzie's retail distribution network is built on our long-standing and expanding relationships with financial advisors and representatives across the breadth of our distribution channels. These relationships allow the company's products to be efficiently distributed through retail brokers, financial advisors, insurance agents, banks, and financial institutions, giving the company one of the broadest retail distribution platforms of any investment company in Canada. We expanded our sub-advised, institutional and high net worth businesses with the addition of the Saxon entities.

SERVICE

We are committed to consistently deliver high-quality service to our clients, while striving to improve both the level of service and cost efficiency.

Mackenzie products are distributed widely through the financial advice channel and the company is proud of the partnership it has established with financial advisors over its history. Through the dedicated efforts of our employees, these relationships continue to grow as Mackenzie now reaches more than 30,000 advisors and 1.4 million investors across Canada. In addition to the timely and accurate reporting of fund performance and

account activity, company representatives regularly meet with advisors to gain insight and assist advisors in delivering investment products that help clients reach their financial goals. Advisors also benefit from ongoing education programs through Mackenzie University, which delivers leading business management and product training programs.

PRODUCT FOCUS

Mackenzie's product capabilities continued to expand during the year with the introduction of innovative new solutions designed to provide clients with additional choice and diversification. This determination to stay at the forefront of our business sector through innovation was highlighted by the company's decision to introduce target-date retirement products and increase the choice of global income-oriented funds.

INVESTING IN COMMUNITIES

Mackenzie's commitment to quality and excellence extends to community involvement and is focused in three areas: the Mackenzie Charitable Giving Fund*, corporate philanthropy, and employee volunteerism through the Mackenzie Financial Charitable Foundation, a registered charity managed by Mackenzie employee volunteers.

Mackenzie's product capabilities continued to expand during the year with the introduction of innovative new solutions designed to provide clients with additional choice and diversification.

The company is dedicated to providing clients with high-quality, innovative investment solutions and strives to maintain strong long-term investment performance across its multiple product offerings. We are proud of our track record, our people and our business.

Investment Planning Counsel™
FINANCIAL SOLUTIONS FOR LIFE

INVESTMENT PLANNING COUNSEL INC.

Investment Planning Counsel is an integrated financial services company focused on providing Canadians with high-quality financial products, services, and advice, while helping them achieve their financial dreams. Investment Planning Counsel is dedicated to providing independent financial planners with the tools, products, and support they need to build a better business.

Investment Planning Counsel is one of the largest financial planning organizations in Canada. From its inception in 1996 through 2008, it has continued to evolve and adapt to meet the needs and expectations of their clients and advisors.

HIGHLIGHTS

- In 2008, Investment Planning Counsel saw assets under administration decrease from $12.7 billion to $10.3 billion, a decrease of 18.8%.
- Assets under management in the Counsel Funds declined from $2.3 billion to $1.7 billion in 2008.
- Investment Planning Counsel partners with 700 advisors across the country and continues to attract advisors into its business model.

STRENGTH IN PARTNERSHIP

The relationship between IGM Financial and Investment Planning Counsel provides a solid foundation for growth and excellence. The scale, strength, and expertise of IGM Financial allows Investment Planning Counsel to improve operational efficiencies in various processes such as compliance and back-office infrastructure. The relationship enables the company to provide its advisors with a strong and stable operating environment, thereby allowing them to build a better business, while providing enhanced client service.

In addition to investment management solutions, advisors have access to a suite of insurance, securities, and mortgage products. The broad product offering gives advisors a range of financial products to service their clients' evolving needs.

BUILDING FOR THE FUTURE

Investment Planning Counsel continues to improve its product and service offering for advisors and clients. With ongoing improvements to its business fundamentals, Investment Planning Counsel will continue to deliver value to advisors and clients, while building its reputation as a leading network of advisors.

Financial Section

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) for the years ended December 31, 2008 and 2007. Commentary in the MD&A as at and for the year ended December 31, 2008 is as of February 12, 2009.

Basis of Presentation and Summary of Accounting Policies

The Consolidated Financial Statements of IGM Financial, which are the basis of the information presented in the Company's MD&A, have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars (Note 1 of the Consolidated Financial Statements).

Principal Holders of Voting Shares

As at December 31, 2008, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (Lifeco), a subsidiary of PFC, held directly or indirectly 56.4% and 3.5%, respectively, of the outstanding common shares of IGM Financial.

FORWARD-LOOKING STATEMENTS

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By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

A variety of material factors, many of which are beyond the Company's, and its subsidiaries' control, affect the operations, performance and results of the Company, and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes (including adoption of International Financial Reporting Standards), operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company's success in anticipating and managing the foregoing factors.

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Additional information about the risks and uncertainties of the Company's business is provided in its disclosure materials filed with the securities regulatory authorities in Canada, available at www.sedar.com.

IGM Financial Inc.
Summary of Consolidated Operating Results

Adjusted net income for the year ended December 31, 2008 was $766.1 million compared to adjusted net income of $863.8 million in 2007, a decrease of 11.3%. Adjusted diluted earnings per share were $2.89 in 2008 compared to adjusted diluted earnings per share of $3.23 in 2007, a decrease of 10.5%.

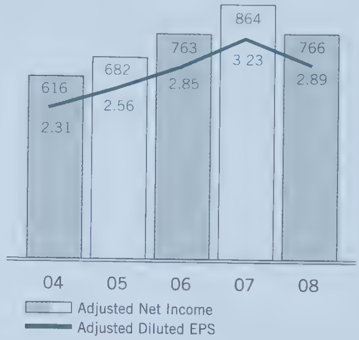
Adjusted net income in 2008 excluded items related to the Company's equity interest in Great-West Lifeco Inc.:

- A $60.3 million charge recorded in the fourth quarter representing the Company's proportionate share of Great-West Lifeco Inc.'s after-tax impairment charge related to goodwill and indefinite life intangible assets;
- A $25.0 million gain recorded in the second quarter representing the Company's proportionate share of Great-West Lifeco Inc.'s after-tax gain related to the sale of its healthcare business, Great-West Healthcare.

Adjusted net income in 2007 excluded a non-cash income tax benefit of $15.3 million recorded in the fourth quarter resulting from decreases in the federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001.

Adjusted Net Income and Adjusted Diluted Earnings per Share

For the financial year *($ millions, except per share amounts)*



2004 excludes unitholder compensation.

2006 and 2007 exclude a non-cash income tax benefit.

2008 excludes proportionate share of affiliate's impairment charge and affiliate's gain.

TABLE 1: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

($ millions)	2008 NET INCOME	2008 EPS	2007 NET INCOME	2007 EPS	2006 NET INCOME	2006 EPS
Adjusted net income – Non-GAAP measure	$ 766.1	$ 2.89	$ 863.8	$ 3.23	$ 763.0	$ 2.85
Proportionate share of affiliate's impairment charge, net of tax	(60.3)	(0.23)	–	–	–	–
Proportionate share of affiliate's gain	25.0	0.10	–	–	–	–
Non-cash income tax benefit	–	–	15.3	0.06	13.7	0.05
Net income – GAAP	$ 730.8	$ 2.76	$ 879.1	$ 3.29	$ 776.7	$ 2.90
EBITDA – Non-GAAP measure	$ 1,518.1		$ 1,699.5		$ 1,535.3	
Commission amortization	(319.3)		(332.2)		(298.6)	
Amortization of capital and intangible assets	(31.6)		(25.7)		(21.7)	
Interest expense on long-term debt and dividends on preferred shares	(107.2)		(104.9)		(105.0)	
Proportionate share of affiliate's impairment charge, net of tax	(60.3)		–		–	
Income before income taxes, non-controlling interest and proportionate share of affiliate's gain	999.7		1,236.7		1,110.0	
Income taxes	(292.6)		(354.7)		(331.2)	
Non-controlling interest	(1.3)		(2.9)		(2.1)	
Proportionate share of affiliate's gain	25.0		–		–	
Net income – GAAP	$ 730.8		$ 879.1		$ 776.7	

Net income without adjustment for the year ended December 31, 2008 was $730.8 million compared to net income without adjustment of $879.1 million in 2007, a decrease of 16.9%. Diluted earnings per share on this basis were $2.76 in 2008 compared to $3.29 in 2007, a decrease of 16.1%.

Shareholders' equity was $4.1 billion as at December 31, 2008 compared to $4.2 billion as at December 31, 2007. Adjusted return on average common equity for the year ended December 31, 2008 was 18.2% compared with adjusted return on average common equity of 21.5% in 2007. The quarterly dividend per common share was increased to 51.25 cents in 2008 from 46.0 cents at the end of 2007.

NON-GAAP FINANCIAL MEASURES

Adjusted net income, diluted earnings per share (EPS) and return on common equity (ROE) for the year ended December 31, 2008 excluded a $60.3 million charge recorded in the fourth quarter which represented the Company's proportionate share of Lifeco's after-tax impairment charge related to goodwill and intangible assets, and a $25.0 million gain recorded in the second quarter which represented the Company's proportionate share of Lifeco's after-tax gain on the sale of its healthcare business, Great-West Healthcare. Adjusted net income, EPS and ROE for the year ended December 31, 2007 excluded a non-cash income tax benefit of $15.3 million recorded in the fourth quarter resulting from decreases in federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets. Adjusted net income, EPS and ROE for the year ended December 31, 2006 also excluded a non-cash income tax benefit of $13.7 million. While these non-GAAP financial measures are used to provide management and investors with additional measures to assess earnings performance, they do not have standard meanings and are not directly comparable to similar measures used by other companies.

Earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) are also non-GAAP financial measures. EBIT and EBITDA are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is discussed further in the Consolidated Liquidity and Capital Resources section later in this MD&A. These non-GAAP financial measures do not have standard meanings and are not directly comparable to any GAAP measure or to similar measures used by other companies.

The reconciliation of non-GAAP results to reported results in accordance with GAAP for net income, EPS and EBITDA is provided in Table 1. The reconciliation of non-GAAP results to reported results in accordance with GAAP related to EBIT is provided in Table 2.

REPORTABLE SEGMENTS

IGM Financial's reportable segments, which reflect the current organizational structure, are:

- Investors Group
- Mackenzie
- Corporate and Other

Management measures and evaluates the performance of these segments based on EBIT as shown in Table 2.

Segment operations are discussed in the Review of Segment Operating Results sections of the MD&A for both Investors Group and Mackenzie.

The Corporate and Other segment includes operating results for Investment Planning Counsel, net investment income earned on unallocated investments and other income as well as inter-segment eliminations.

Earnings before interest and taxes for Corporate and Other were $37.7 million for the year ended December 31, 2008 compared to $65.0 million in 2007. Earnings before interest and taxes related to Investment Planning Counsel were $8.5 million lower than 2007 levels due primarily to the decline in average mutual fund assets in 2008 compared with 2007 and expenses incurred in 2008 related to expansion of its distribution network. Net investment income on unallocated investments decreased by $19.3 million in 2008 compared with 2007. The Company reduced the fair value of its holdings in non-bank-sponsored asset-backed commercial paper (ABCP) by $2.5 million in each of the second and third quarters of 2008 as discussed in Note 2

to the Consolidated Financial Statements. In addition, an impairment charge of $7.5 million was recorded in the fourth quarter of 2008 related to a seed capital investment. Both lower average balances of unallocated investments and lower average interest rates accounted for the remainder of the year-over-year decline in investment income.

Certain items reflected in Table 2 are not allocated to segments:

- *Interest expense* – Represents the interest expense on the remaining debt issued pursuant to the Mackenzie acquisition and on the bridge credit facility related to the Saxon Financial Inc. (Saxon) acquisition, as well as dividends paid on the outstanding preferred shares. Interest expense totalled $69.9 million in 2008 compared with $67.6 million in 2007. Dividends paid on preferred shares were $20.7 million in both 2008 and 2007.
- *Proportionate share of affiliate's impairment charge* – In the fourth quarter of 2008, Putnam LLC, a subsidiary of Lifeco in the United States division, recorded a non-cash impairment charge on indefinite life intangibles and goodwill. In addition, Lifeco wrote off a future tax asset related to the intangible and goodwill impairment charge and recorded restructuring costs associated with Putnam LLC. The Company's proportionate share of the after-tax impairment charge and related expenses was $60.3 million.
- *Proportionate share of affiliate's gain* – In the second quarter of 2008, the Company's affiliate, Lifeco, recorded an after-tax gain on the sale of its healthcare business, Great-West Healthcare. Lifeco reported the gain in Net income from discontinued operations in the Summary of Consolidated Operations included in Lifeco's Consolidated Financial Statements. The Company's proportionate share of the after-tax gain on the sale was $25.0 million.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
($ millions)	2008	2007	2008	2007	2008	2007	2008	2007
Fee income	$ 1,437.9	$ 1,512.4	$ 920.4	$ 1,043.4	$ 144.2	$ 145.2	$ 2,502.5	$ 2,701.0
Net investment income and other	151.2	126.2	22.7	19.9	28.3	48.0	202.2	194.1
	1,589.1	1,638.6	943.1	1,063.3	172.5	193.2	2,704.7	2,895.1
Operating expenses								
Commissions	473.4	460.1	338.8	395.3	94.1	91.7	906.3	947.1
Non-commission	317.5	293.6	289.6	292.9	40.7	36.5	647.8	623.0
	790.9	753.7	628.4	688.2	134.8	128.2	1,554.1	1,570.1
Earnings before interest and taxes	$ 798.2	$ 884.9	$ 314.7	$ 375.1	$ 37.7	$ 65.0	1,150.6	1,325.0
Interest expense							90.6	88.3
							1,060.0	1,236.7
Proportionate share of affiliate's impairment charge, net of tax							60.3	–
Income before income taxes, non-controlling interest and proportionate share of affiliate's gain							999.7	1,236.7
Income taxes							292.6	354.7
Income before non-controlling interest and proportionate share of affiliate's gain							707.1	882.0
Non-controlling interest							1.3	2.9
Net income before proportionate share of affiliate's gain							705.8	879.1
Proportionate share of affiliate's gain							25.0	–
Net income								
In accordance with GAAP							$ 730.8	$ 879.1
Adjusted net income[1]							$ 766.1	$ 863.8

(1) Refer to Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

- *Income taxes* – The effective income tax rate for the year ended December 31, 2008 was 29.3% compared with 28.7% in 2007 as shown in Table 3. The 2008 effective income tax rate was positively impacted by reductions in statutory federal and provincial corporate income tax rates. In the fourth quarter of 2008, the Company recorded a $60.3 million after-tax expense representing its proportionate share of its affiliate's impairment charge which resulted in a 1.96% increase in the effective income tax rate. The effective income tax rate in 2007 was impacted by decreases in federal corporate income tax rates and the resulting reduction in the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001. In 2007, the Company recorded a $15.3 million ($0.06 per share) non-cash income tax benefit in the fourth quarter which resulted in a 1.23% reduction in the effective income tax rate. The benefit of the reduction in federal and provincial corporate income tax rates on other operating future income tax assets and liabilities is reflected in the Other items line.

  Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings, and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. Any changes in management's best estimates are reflected in Other items, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 4.

Net Income and Earnings per Share – Table 1 of the MD&A shows the reconciliation of non-GAAP financial results to GAAP results for the three years. Except as noted in the reconciliation in Table 1, variations in net income and total revenues result primarily from changes in total mutual fund assets under management. During 2008 there were significant declines in global financial markets resulting in lower asset values particularly in the last quarter of the year. Average daily mutual fund assets under management by year are shown in Table 4. The decrease in the Company's total mutual fund assets under management during 2008 was consistent with the decline in mutual fund assets experienced by the Canadian mutual fund industry. The impact on earnings and revenues of changes in mutual fund assets under management are discussed in the Review of Segment Operating Results sections of the MD&A for both Investors Group and Mackenzie.

Total assets under management at December 31, 2008 were $101.7 billion and included mutual fund assets under management totaling $85.0 billion. Net income in future periods will largely be determined by the level of mutual fund assets which will continue to be influenced by global market conditions.

Dividends per Common Share – Dividends per common share increased by 13% in 2008, 16% in 2007 and 15% in 2006.

TABLE 3: EFFECTIVE INCOME TAX RATE

	2008	2007
Income taxes at Canadian federal and provincial statutory rates	32.37%	35.18%
Effect of:		
Dividend income	(0.50)	(0.31)
Net capital gains and losses	(0.35)	(0.52)
Proportionate share of affiliate's earnings	(3.08)	(2.49)
Preferred dividends paid	0.69	0.60
Other items	(1.82)	(2.55)
Effective income tax rate before items noted below	27.31	29.91
Proportionate share of affiliate's impairment charge	1.96	–
Impact of rate changes on future income taxes related to indefinite life intangible assets	–	(1.23)
Effective income tax rate	29.27%	28.68%

TABLE 4: SELECTED ANNUAL INFORMATION

	2008	2007	2006
Consolidated statements of income *($ millions)*			
Fee income	$ 2,502.5	$ 2,701.0	$ 2,392.3
Net investment income and other	202.2	194.1	212.3
	2,704.7	2,895.1	2,604.6
Operating expenses	1,644.7	1,658.4	1,494.6
	1,060.0	1,236.7	1,110.0
Proportionate share of affiliate's impairment charge, net of tax	60.3	–	–
Income before income taxes, non-controlling interest and proportionate share of affiliate's gain	999.7	1,236.7	1,110.0
Income taxes	292.6	354.7	331.2
Income before non-controlling interest and proportionate share of affiliate's gain	707.1	882.0	778.8
Non-controlling interest	1.3	2.9	2.1
Net income before proportionate share of affiliate's gain	705.8	879.1	776.7
Proportionate share of affiliate's gain	25.0	–	–
Net income			
In accordance with GAAP	$ 730.8	$ 879.1	$ 776.7
Adjusted net income(1)	$ 766.1	$ 863.8	$ 763.0
Earnings per share *($)*			
In accordance with GAAP			
– Basic	$ 2.78	$ 3.32	$ 2.93
– Diluted	$ 2.76	$ 3.29	$ 2.90
Adjusted earnings per share (1)			
– Basic	$ 2.91	$ 3.26	$ 2.88
– Diluted	$ 2.89	$ 3.23	$ 2.85
Dividends per share *($)*			
Common	$ 2.00	$ 1.78	$ 1.54
Preferred	$ 1.44	$ 1.44	$ 1.44
Average daily mutual fund assets *($ millions)*	$ 99,903	$ 110,167	$ 99,015
Total mutual fund assets under management *($ millions)*	$ 85,025	$ 108,994	$ 106,987
Total assets under management(2) *($ millions)*	$ 101,742	$ 122,982	$ 119,364
Total corporate assets *($ millions)*	$ 8,294	$ 7,859	$ 7,333
Total long-term debt *($ millions)*	$ 1,200	$ 1,200	$ 1,200
Outstanding common shares *(thousands)*	262,365	264,193	264,866

(1) Refer to the Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

(2) Total assets under management excludes $2.1 billion of assets sub-advised by Mackenzie on behalf of Investors Group ($2.7 billion at December 31, 2007 and $2.6 billion at December 31, 2006) and is adjusted for $20 million in inter-segment assets ($31 million at December 31, 2007 and $35 million at December 31, 2006).

SUMMARY OF QUARTERLY RESULTS

Financial information for the eight most recently completed quarters is shown in Table 5 and includes the reconciliation of non-GAAP financial measures to net income in accordance with GAAP. The reconciling items relate to the Company's proportionate share of affiliate's impairment charge of $60.3 million in the fourth quarter of 2008 and the proportionate share of affiliate's gain of $25.0 million in the second quarter of 2008 as described in the Summary of Consolidated Operating Results and to a non-cash income tax benefit of $15.3 million in the fourth quarter of 2007.

Quarterly earnings are primarily dependent on the level of mutual fund assets under management. Average daily mutual fund assets under management by quarter are shown in Table 5.

Fourth Quarter 2008 Results

Adjusted net income for the three months ended December 31, 2008 was $140.1 million compared with adjusted net income of $219.0 million in 2007, a decrease of 36.0%. A detailed discussion of Investors Group and Mackenzie segment operating results for the three months ended December 31, 2008 compared with the same period in 2007 is contained in their respective sections of this MD&A.

Adjusted net income in the fourth quarter of 2008 declined by $58.6 million from third quarter 2008 levels.

TABLE 5: SUMMARY OF QUARTERLY RESULTS

	2008				2007			
	4	3	2	1	4	3	2	1
Consolidated statements of income *($ millions)*								
Fee and net investment income								
Management	396.3	477.0	503.3	490.6	522.1	531.6	530.5	511.8
Administration	84.2	88.1	89.4	87.5	90.2	90.8	84.7	83.8
Distribution	67.4	70.6	72.4	75.7	66.8	64.6	61.9	62.2
Net investment income and other	36.1	49.3	55.9	60.9	42.5	43.8	44.8	63.0
Total fee and net investment income	584.0	685.0	721.0	714.7	721.6	730.8	721.9	720.8
Operating expenses								
Commission expense	206.4	230.0	234.8	235.0	241.4	238.0	236.3	231.4
Non-commission expense	162.6	155.4	162.5	167.4	156.8	154.9	154.1	157.2
Interest expense	24.4	22.2	22.0	22.0	22.2	22.2	22.0	21.9
Total operating expenses	393.4	407.6	419.3	424.4	420.4	415.1	412.4	410.5
	190.6	277.4	301.7	290.3	301.2	315.7	309.5	310.3
Proportionate share of affiliate's impairment charge, net of tax	60.3	–	–	–	–	–	–	–
Income before undernoted	130.3	277.4	301.7	290.3	301.2	315.7	309.5	310.3
Income taxes	50.4	78.4	85.2	78.6	66.3	96.5	92.8	99.1
	79.9	199.0	216.5	211.7	234.9	219.2	216.7	211.2
Non-controlling interest	0.1	0.3	0.4	0.5	0.6	0.8	0.8	0.7
Net income before undernoted	79.8	198.7	216.1	211.2	234.3	218.4	215.9	210.5
Proportionate share of affiliate's gain	–	–	25.0	–	–	–	–	–
Net income								
In accordance with GAAP	79.8	198.7	241.1	211.2	234.3	218.4	215.9	210.5
Reconciliation of non-GAAP financial measures(1) *($ millions)*								
Adjusted net income – non-GAAP measure	140.1	198.7	216.1	211.2	219.0	218.4	215.9	210.5
Proportionate share of affiliate's impairment charge	(60.3)	–	–	–	–	–	–	–
Proportionate share of affiliate's gain	–	–	25.0	–	–	–	–	–
Non-cash income tax benefit	–	–	–	–	15.3	–	–	–
Net income – in accordance with GAAP	79.8	198.7	241.1	211.2	234.3	218.4	215.9	210.5
Earnings per share *(¢)*								
In accordance with GAAP								
– Basic	30	75	91	80	89	83	82	79
– Diluted	30	75	91	79	88	82	81	79
Adjusted earnings per share(1)								
– Basic	53	75	82	80	83	83	82	79
– Diluted	53	75	81	79	82	82	81	79
Average daily mutual fund assets *($ billions)*	85.6	102.0	107.9	104.3	109.3	110.7	112.2	108.4
Total mutual fund assets under management *($ billions)*	85.0	98.0	104.8	105.3	109.0	111.0	112.1	110.3

(1) Refer to the Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

Investors Group
Review of the Business

Investors Group's core business provides a broad range of financial and investment planning services to Canadians through its dedicated network of Consultants across the country.

Investors Group earns revenue primarily from:

- Management fees charged to its mutual funds.
- Fees charged to its mutual funds for administrative, trustee and other services.

Fee income is also earned from the distribution of insurance, securities and other financial services. Additional revenue is derived from net investment income and other income, as discussed in the Review of Segment Operating Results.

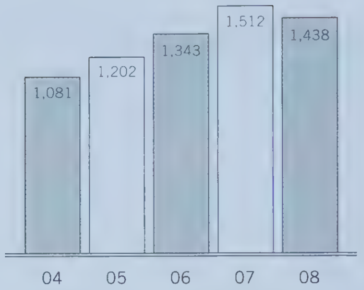
Revenues depend largely on the level and composition of mutual fund assets under management. Our comprehensive approach to financial planning, provided by our Consultants through the broad range of financial products and services offered by Investors Group, has resulted in comparatively strong mutual fund sales in a period of significant market volatility and a mutual fund redemption rate lower than the industry average. Mutual fund gross sales through our Consultant network were $5.9 billion in 2008. The redemption rate on long-term funds was 7.9% for the twelve months ending December 31, 2008, compared to the record low rate of 7.3% in 2007. Net sales were $625 million, down from $2.2 billion in 2007.

INVESTORS GROUP STRATEGY

Investors Group strives to ensure that the interests of shareholders, clients, Consultants and employees are as closely aligned as possible. Investors Group's business approach is focused on:

1. Growing our distribution network through the attraction of new Consultants to our industry and the retention and continued support of existing Consultants.
2. Emphasizing the delivery of financial planning advice, products and services through our dedicated network of Consultants, particularly during periods of market volatility.
3. Communicating actively with our Consultants and primarily through them to our clients during periods of extensive market volatility.
4. Extending the diversity and range of products offered by Investors Group as we continue to build and maintain enduring client relationships.
5. Maximizing returns on business investment by focusing resources on initiatives that have direct benefits to clients and Consultants and controlling expenditures and increasing efficiencies through effective working relationships with other members of the Power Financial group of companies.

Fee Income – Investors Group
For the financial year *($ millions)*



CONSULTANT NETWORK

Investors Group distinguishes itself from its competition by offering personal financial planning to its clients within the context of long-term relationships. At the centre of this relationship is a national distribution network of Consultants in 92 region offices across Canada. Seven new region offices were announced in 2008 as Investors Group continued to build its Consultant network. These region offices were established in Edmonton, Winnipeg, Brampton, Toronto, Newmarket, Barrie and Ottawa.

At the end of 2008, Investors Group had 4,479 Consultants, compared with 4,331 at the end of 2007. The number of Consultants with more than four years experience was 2,479 compared to 2,327 a year earlier. Our Consultant network has grown in each of the last eighteen consecutive quarters increasing by 1,272 Consultants or 40% since June 30, 2004.

Consultant Development

Investors Group combines a number of interview and testing techniques to identify individuals who demonstrate a blend of experience, education and aptitude that makes them well suited to becoming successful financial planners.

Each year our training curriculum is reviewed and refreshed to offer new Consultants important building blocks to develop client relationships. As Consultants progress, they develop their skills as financial planners and business managers by attending a selection of focused educational programs including: financial planning skills, product knowledge, client service, business development skills, compliance, technology, practice management and other related topics. This core training is supplemented by annual training conferences where education is tailored to both new and experienced Consultants.

Field Management Development

As part of Investors Group's commitment to growth, we continued to focus on developing a strong and experienced leadership team across the country. In addition to increasing the number of individuals in field management roles, we also provided additional opportunities for Consultants considering a management role, management training and peer-to-peer coaching.

COMMUNICATING WITH CONSULTANTS AND CLIENTS

During this period of significant market volatility, communications to Consultants and clients was increased. Consultants were provided with comprehensive information on the current market environment and key long-term investment considerations, as well as tools and resources to assist them in their communications with clients. Our Consultants, in turn, maintained a high degree of contact with our clients, continuing to reinforce the importance of long-term planning and a diversified investment portfolio.

PRODUCTS AND SERVICES

Investors Group is regarded as a leader in personal financial planning in Canada. Consultants recommend balanced, diversified and professionally managed portfolios that reflect the client's goals, preferences and risk tolerance. They also look beyond investments to offer clients access to insurance, mortgages and other financial services.

PFP – Personal Financial Planner

Investors Group's Personal Financial Planner (PFP) software handles a wide range of potential financial planning needs – from projections and illustrations for basic financial planning concepts to the preparation of written financial plans which integrate all disciplines of financial planning, including investment, tax, retirement, education, risk management and estate planning.

Symphony Strategic Investment Planning™ Program

Symphony is Investors Group's strategic investment planning approach, designed to provide a sophisticated investment discipline and is supported by a consistent methodology for measuring a client's risk tolerance. Consultants are then able to provide risk-adjusted recommendations using Investors Group's broad offering of funds.

Charitable Giving Program

The Investors Group Charitable Giving Program is a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

Tax Free Savings Account

Investors Group, along with Mackenzie, was one of the first mutual fund companies in Canada to offer the TFSA to Canadians. This new investment vehicle is an important component of a comprehensive financial plan, offering a highly flexible, tax-efficient way to save for retirement or other financial goals. In November, Consultants began to meet with clients to introduce the TFSA and complete account set up in advance of the January 1, 2009 introduction of the savings program.

Mutual Funds

Investors Group had $47.5 billion in mutual fund assets under management at December 31, 2008 in 144 mutual funds covering a broad range of investment mandates. This compared with $60.2 billion in 2007, a decrease of 21.1%.

Through our own international team of investment professionals and relationships with external investment advisors, we provide clients with access to a wide range of investment advisory services. Clients can diversify their holdings across fund managers, asset categories, investment styles, geography, capitalization and sectors through portfolios customized to meet their objectives.

Investors Group Masterseries funds are managed by I.G. Investment Management, our own multi-disciplinary team of investment professionals with offices and advisors in North America, Europe, and Asia. Our global connections, depth of research and use of information technology provide us with the investment management capabilities to offer our clients investment management expertise suitable for the widest range of investment objectives. Investors Group also offers a range of partner funds through advisory relationships with other investment management firms and oversees these external investment advisors to ensure that their activities are consistent with Investors Group's investment philosophy and with the investment objectives and strategies of the funds that they advise. These advisory relationships include investment managers such as AGF Funds Inc., Beutel, Goodman & Company, Ltd., Bissett Investment Management (an operating division of Franklin Templeton Investments Corp.), Camlin Asset Management Ltd., Fidelity

Investments Canada Limited, Franklin Templeton Investments Corp., Goldman Sachs Asset Management, L.P., LaSalle Investment Management (Securities), L.P., Mackenzie, and Putnam Investments Inc.

At December 31, 2008, 66% of Investors Group mutual funds (Masterseries, partner and portfolio funds) had a rating of three stars or better from the Morningstar† fund ranking service and 24% had a rating of four or five stars. This compared to the Morningstar† universe of 65% for three stars or better and 30% for four and five star funds at December 31, 2008. Morningstar† Ratings are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

Investors Group expects to continue to enhance the performance, scope and diversity of our investment offering with the introduction of new funds that are well-suited to the long-term diverse needs of Canadian investors.

- On January 14, 2008, Investors Group launched the Investors Global Real Estate Fund and Alto Monthly Income and Global Growth Portfolio.
- On July 28, 2008, Investors Group launched two new funds: IG Putnam U.S. High Yield Income Fund and IG Mackenzie Global Precious Metals Class.

On September 5, 2008, five fund mergers were completed involving funds with similar existing mandates:

- IG FI U.S. Equity Fund and Class into IG AGF U.S. Growth Fund and Class
- IG FI Global Equity Fund and Class into Investors Global Fund and Class
- IG Templeton World Allocation Fund into Investors Tactical Asset Allocation Fund

These mergers are expected to provide enhanced diversification opportunities and in some cases lower management and administration fees for clients.

Managed Asset and Multi-Manager Investment Programs

Investors Group Corporate Class Inc. is a broad tax advantaged fund structure which features the ability to switch on a fee-free basis among 49 funds within the group of funds with no immediate tax consequences. The funds include 31 funds advised by I.G. Investment Management and 18 funds advised by external investment advisors. At the end of 2008, the Corporate Class funds totalled $2.1 billion in assets compared with $2.5 billion in 2007.

Investors Group provides clients with access to a growing selection of asset allocation opportunities which include:

- **Allegro Portfolios:** The seven Allegro Portfolios provide a single step investment solution offering geographic, investment style, asset class, and investment advisor diversification based on Symphony asset allocation recommendations. Fund assets were $2.4 billion as of December 31, 2008 compared with $2.7 billion in the previous year.
- **Alto Portfolios:** The Alto Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification based on Symphony asset allocation recommendations. The eleven portfolios include Investors Group funds and funds advised by Mackenzie. Assets in the portfolios were $1.7 billion as of December 31, 2008, relatively unchanged from 2007.
- **Investors Group Portfolios:** These funds have assets of $6.6 billion as at December 31, 2008, compared with $7.8 billion in the previous year. The program is comprised of eight funds which invest in 20 underlying Investors funds to provide a high level of diversification.
- ***i*Profile™:** This is a unique portfolio management program introduced in 2001 that is available for clients with assets over $250,000. *i*Profile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions. The program is advised by a select group of 10 global money management firms such as Goldman Sachs Asset Management, Jarislowsky Fraser Limited, Waddell & Reed, JPMorgan Chase & Co. and I.G. Investment Management, Ltd. At the end of 2008, this program had $420 million in assets, compared with $556 million in the previous year.

Segregated Funds

Investors Group offers 22 of The Great-West Life Assurance Company (Great-West Life) segregated funds that are distributed solely by Investors Group Consultants. These segregated funds provide our clients with death benefit guarantees and potential creditor protection. These segregated funds also provide protection from long-term market volatility by providing two levels of guarantees – 75% or 100% of the principal invested. The investment components of these segregated funds are managed by Investors Group.

Insurance

Investors Group continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, Investors Group offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance. I.G. Insurance Services Inc. currently has distribution agreements with:

- The Canada Life Assurance Company
- The Great-West Life Assurance Company
- Sun Life Assurance Company of Canada
- The Manufacturers Life Insurance Company

Sales of insurance products as measured by new annualized premiums were $48 million, an increase of 23% over $39 million in 2007. Total face amount of insurance in force in 2008 was $48.1 billion. The average number of policies sold by each licensed Consultant was 8.5 in 2008, an increase of 9% compared with 7.8 in 2007. Distribution of insurance products is enhanced through the Company's insurance specialists throughout Canada who assist Consultants with the selection of insurance solutions.

Securities Operations

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing securities services to clients seeking a broader product offering in combination with financial and investment planning. Investors Group Consultants can refer clients to one of our securities specialists available through Investors Group Securities Inc.

At December 31, 2008, total assets under administration were $4.6 billion. The assets gathered during 2008 were $1.3 billion, compared to $1.2 billion in 2007.

In 2008, we continued to evolve the service we developed to accommodate individual stocks and bonds owned by our clients within their financial plan. This involved further investment in our systems and the addition of a number of securities specialists who work alongside our Consultants and are licensed to advise on individual securities. In addition, a few of our Consultants transitioned their registration to the Investment Industry Regulatory Organization of Canada (IIROC) but remain within our region offices and continue to operate in our established business model of a managed asset focus delivered within a financial planning context.

Mortgage Operations

Clients who are seeking residential mortgages are referred to Investors Group mortgage planning specialists who originate mortgages in key residential markets.

In 2008, Investors Group continued to offer a competitively priced mortgage offering, which was well received by Consultants and clients. Mortgage originations totalled $1.1 billion, relatively unchanged from 2007.

Through its mortgage banking operations, residential mortgages are funded primarily through sales to third parties, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization trusts, private placements to institutional investors, or placed with Investors Mortgage and Short Term Income Fund or Investors Group's intermediary operations. During the second quarter of 2008, the Company was approved by CMHC as an issuer of National Housing Act Mortgage Backed Securities (NHA MBS) and as a seller into the Canada Mortgage Bond Program (CMB Program). This issuer and seller status provides Investors Group with additional funding sources for residential mortgages.

Solutions Banking†

The National Bank of Canada continues to provide Investors Group's clients with a wide range of products and services through Solutions Banking† under a long-term distribution agreement. Products and services include: investment loans, lines of credit, personal loans, creditor insurance, deposit accounts and credit cards. Clients have access to a network of banking machines, as well as a private labeled client website and private labeled client service centre. The Solutions Banking† offering supports Investors Group's approach to delivering total financial solutions for our clients via a broad financial planning platform.

Additional Products and Services

Investors Group also provides its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd., as well as a number of other financial institutions.

Review of Segment Operating Results

Investors Group's earnings from operations before interest and taxes for the three and twelve months ended December 31, 2008 compared with 2007 are presented in Table 6.

FEE INCOME

Fee income is generated from the management, administration and distribution of Investors Group mutual funds. The distribution of insurance and Solutions Banking† products and the provision of securities services provide additional fee income.

Total fee income for the three months ended December 31, 2008 decreased by $64.9 million to $317.6 million, a decrease of 17.0% from 2007. Total fee income for the year ended December 31, 2008 decreased by $74.5 million to $1.4 billion, a decrease of 4.9% from 2007 and represented 90.5% of gross revenue in 2008, compared with 92.3% in 2007. Fee income is driven primarily by the level and composition of mutual fund assets under management which increase or decrease due to several factors including: sales, redemptions and net asset values of our funds.

For the three months ended December 31, 2008, sales of Investors Group mutual funds through its Consultant network were $1.2 billion, a decrease of 24.5% from 2007. Mutual fund redemptions, which totalled $1.2 billion for the same period, decreased 6.0% from 2007 levels. Investors Group's twelve month trailing redemption rate for long-term funds was 7.9% at December 31, 2008 compared to the record low rate of 7.3% at December 31, 2007, and remains well below the corresponding average redemption rate of approximately 19.2% for all other members of the Investment Funds Institute of Canada (IFIC) at December 31, 2008. Net sales of Investors Group mutual funds for the three month period ended December 31, 2008 were $60 million compared with net sales of $386 million in 2007. Sales of long-term funds were $913 million for the three months ended December 31, 2008, compared with $1.3 billion in 2007. Net sales of long-term funds for the three months ended December 31, 2008 were $21 million compared to net sales of $261 million in 2007.

For the year ended December 31, 2008, sales of Investors Group mutual funds through its Consultant network were $5.9 billion, a decrease of 17.8% from 2007. Mutual fund redemptions, which totalled $5.3 billion for the same period, increased 4.9% from 2007 levels. Net sales of Investors Group mutual funds were $625 million in 2008 compared with net sales of $2.2 billion in 2007, a decrease of 71.0%. Sales of long-term funds were $4.6 billion in 2008, compared with $6.0 billion in 2007, a decrease of 23.6%. Net sales of long-term funds were $274 million compared to net sales of $1.7 billion in 2007, a decrease of 83.9%.

TABLE 6: OPERATING RESULTS – INVESTORS GROUP

	THREE MONTHS ENDED DECEMBER 31			TWELVE MONTHS ENDED DECEMBER 31		
($ millions)	2008	2007	CHANGE	2008	2007	CHANGE
Fee and net investment income						
Management	$ 230.4	$ 295.4	(22.0)%	$ 1,077.7	$ 1,176.7	(8.4)%
Administration	49.8	55.2	(9.8)	210.7	208.6	1.0
Distribution	37.4	31.9	17.2	149.5	127.1	17.6
	317.6	382.5	(17.0)	1,437.9	1,512.4	(4.9)
Net investment income and other	29.9	28.0	6.8	151.2	126.2	19.8
	347.5	410.5	(15.3)	1,589.1	1,638.6	(3.0)
Operating expenses						
Commissions	65.2	58.0	12.4	246.8	224.0	10.2
Asset retention bonus and premium	51.0	59.3	(14.0)	226.6	236.1	(4.0)
Non-commission	82.0	78.5	4.5	317.5	293.6	8.1
	198.2	195.8	1.2	790.9	753.7	4.9
Earnings before interest and taxes	$ 149.3	$ 214.7	(30.5)%	$ 798.2	$ 884.9	(9.8)%

TABLE 7: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

($ millions)	THREE MONTHS ENDED DECEMBER 31 2008	2007	CHANGE	TWELVE MONTHS ENDED DECEMBER 31 2008	2007	CHANGE
Sales	$ 1,236.5	$ 1,637.4	(24.5)%	$ 5,945.7	$ 7,229.4	(17.8)%
Redemptions	1,176.1	1,251.4	(6.0)	5,320.4	5,071.1	4.9
Net sales	60.4	386.0	(84.4)	625.3	2,158.3	(71.0)
Market and income	(6,874.8)	(1,397.3)	N/M	(13,328.1)	(180.2)	N/M
Net change in assets	(6,814.4)	(1,011.3)	N/M	(12,702.8)	1,978.1	N/M
Beginning assets	54,305.5	61,205.2	(11.3)	60,193.9	58,215.8	3.4
Ending assets	$ 47,491.1	$ 60,193.9	(21.1)%	$ 47,491.1	$ 60,193.9	(21.1)%
Average daily assets	$ 48,019.2	$ 60,232.9	(20.3)%	$ 55,846.1	$ 60,328.7	(7.4)%

While net sales for the three and twelve months ended December 31, 2008 declined from 2007 levels, Investors Group's results were more favourable than overall industry results as reported by IFIC for the same periods.

Investors Group's mutual fund assets under management were $47.5 billion at December 31, 2008, as shown in Table 7. The decrease in mutual fund assets for the three and twelve month periods ended December 31, 2008 of $6.8 and $12.7 billion, respectively, was almost entirely due to net market depreciation resulting from declines in global stock markets during 2008.

Investors Group earns management fees for investment management services provided to its mutual funds which depend largely on the level and composition of mutual fund assets under management. Management fee income decreased by $65.0 million or 22.0% to $230.4 million for the three months ended December 31, 2008 and decreased by $99.0 million or 8.4% to $1.1 billion for the year ended December 31, 2008. The decline in both periods was due primarily to the decrease in average daily mutual fund assets from 2007.

For the three months ended December 31, 2008, management fee income was 190.9 basis points of average daily mutual fund assets compared to 194.6 basis points in 2007. Average daily mutual fund assets were $48.0 billion in the quarter compared to $60.2 billion in 2007, a decrease of 20.3%.

For the year ended December 31, 2008, management fee income was 193.0 basis points compared to 195.1 basis points in 2007. Average daily mutual fund assets were $55.8 billion for the year compared to $60.3 billion in 2007, a decrease of 7.4%.

Investors Group receives administration fees for providing administrative services to its mutual funds and trusteeship services to its unit trust mutual funds. Administration fees totalled $49.8 million for the three months ended December 31, 2008 compared to $55.2 million in 2007. Administration fees for the year ended December 31, 2008 were $210.7 million compared to $208.6 million in 2007.

Effective October 1, 2007, Investors Group assumed responsibility for the applicable operating expenses of the funds, other than GST and certain specified fund costs, in return for a fixed rate administration fee established for each fund. The results for both the three and twelve month periods ended December 31, 2008 reflect the new fixed rate administration fee and the applicable operating expenses that, prior to October 1, 2007, were borne by the funds.

During the initial period of October 1, 2007 until December 31, 2009, and thereafter as may be applicable, the funds that existed as at October 1, 2007 may pay a monthly operating expense adjustment to Investors Group if the combined average monthly net assets for all funds and series that were subject to the administration fee proposal that was approved by investors on September 28, 2007 fall to a level that is 95% of the

amount of their total net assets. If it becomes payable, Investors Group is entitled to receive an operating expense adjustment for that month from each of those funds and series in such amount that will result in all of those series, collectively, paying an administration fee for the month equal to the administration fee that would have been payable had the monthly net assets equaled 95% of the net assets on October 1, 2007 throughout the month. If, in a subsequent month, the monthly net assets increase to an amount equal to or greater than 95% of the net assets on October 1, 2007, the operating expense adjustment will not be payable. Due to the continuing decline in Investors Group's mutual fund assets, as a result of the volatility in the global markets, Investors Group was entitled to an operating expense adjustment in 2008. Included in administration fees for the three and twelve month periods ended December 31, 2008 were operating expense adjustments of $5.0 million and $6.0 million, respectively. There were no operating expense adjustments paid by the Investors Group funds in 2007.

Distribution fees are earned from:

- Redemption fees on mutual funds sold on a deferred sales charge basis.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking†, an arrangement with the National Bank of Canada.

Distribution fee income of $37.4 million for the three months ended December 31, 2008 increased by 17.2% from $31.9 million in 2007. For the twelve month period, distribution fee income of $149.5 million increased by 17.6% from $127.1 million in 2007. Distribution fee income from insurance and banking products increased in the three and twelve month periods by $5.8 million and $13.3 million, respectively. Redemption fee income of $8.9 million and $44.2 million for the three and twelve month periods increased by $0.8 million and $10.7 million, respectively, from the same periods in 2007 due to higher redemptions subject to deferred sales charges in 2008 compared to 2007.

NET INVESTMENT INCOME AND OTHER

Net investment income and other includes interest earned on cash and cash equivalents, securities and mortgage loans. It also includes realized gains and losses on the sale of securities, Investors Group's proportionate share of earnings of Great-West Lifeco Inc. (Lifeco), as well as income related to mortgage banking activities. Investors Group reports net investment income as the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, bank indebtedness and debt incurred to finance Investors Group's investment in Lifeco.

Net investment income and other increased to $29.9 million for the three months ended December 31, 2008 compared to $28.0 million in 2007 due to:

- The increase in net revenues related to Investors Group mortgage banking operations. Strong earnings in the three month period ended December 31, 2008 were offset in part by a non-cash fair value adjustment to the retained interest receivable related to the Canadian bank-sponsored securitization trusts into which Investors Group sells a portion of its mortgage originations. The unfavourable non-cash fair value adjustment totalled $14.0 million and resulted from higher credit spreads for asset-backed commercial paper structures.
- The increase in Investors Group's proportionate share of Lifeco earnings.

Increases in net investment income were offset by realized losses on the sale of securities which totalled $5.7 million for the three months ended December 31, 2008 compared with realized gains of $2.6 million in 2007.

For the year ended December 31, 2008, net investment income and other increased to $151.2 million compared to $126.2 million in 2007 due to:

- The increase in net revenues related to Investors Group's mortgage banking operations. The non-cash fair value adjustment to retained interest receivable resulting from higher credit spreads for asset-backed commercial paper structures totalled $14.0 million in 2008 as discussed above. A similar non-cash fair value adjustment totalling $13.8 million was recorded in the third quarter of 2007.
- The increase of $7.6 million in Investors Group's share of Lifeco earnings in 2008 compared with 2007.

Increases in net investment income were offset by a decline of $16.6 million in realized gains on the sale of securities in 2008 compared with 2007.

OPERATING EXPENSES

Investors Group incurs commission expense in connection with the distribution of its mutual funds and other financial services and products. Commissions are paid on the sale of these products and fluctuate with the level of sales. Commissions paid on the sale of mutual funds are deferred and amortized over a period of six years. Commission expense for the three months ended December 31, 2008 increased by $7.2 million to $65.2 million compared with $58.0 million in 2007. For the twelve month period ended December 31, 2008, commission expense increased by $22.8 million to $246.8 million from $224.0 million in 2007.

The increase in commission expense was due primarily to:

- Increase in amortization of mutual fund commissions totalling $2.0 million for the three months and $10.0 million for the twelve months.
- Increase in compensation directly related to higher sales of other financial products and services including insurance and Solutions Banking†.

The asset retention bonus (ARB) and premium (ARP) expenses, which are based on the level of assets under management, are comprised of the following:

- ARB, which is paid monthly and is based on the value of assets under management. ARB expense decreased by $9.1 million for the three month period to $41.4 million and decreased by $12.6 million for the twelve month period to $187.7 million as a result of the decrease in assets under management.
- ARP, which is a deferred component of compensation designed to promote Consultant retention and is based on assets under management at each year-end. ARP expense increased by $0.8 million and $3.1 million in the three and twelve month periods ended December 31, 2008 compared to 2007.

Non-commission expenses increased $3.5 million to $82.0 million for the three months ended December 31, 2008. For the twelve month period, non-commission expenses increased by $23.9 million to $317.5 million. Non-commission expenses include costs incurred by Investors Group related to Consultant network support, the administration, marketing and management of its mutual funds and other products, as well as other operating expenses.

- Investors Group's Consultant network continued to grow throughout 2008. As a result, expenses related to recruiting, training, field support and region office expansion increased in both the three and twelve months ended December 31, 2008, compared to the same periods in 2007.
- In addition, as a result of the implementation of the fixed administration fee on October 1, 2007, non-commission expenses in 2008 included an additional $10.4 million of mutual fund related expenses that, prior to October 1, 2007, were borne by the mutual funds.

Mackenzie
Review of the Business

Mackenzie's core business is the provision of investment advice and related services offered through diversified investment solutions, distributed through the multiple distribution channels focused on the provision of independent financial advice.

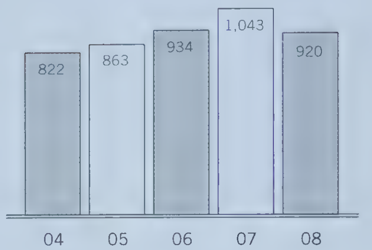
Mackenzie earns revenue primarily from:

- Management fees charged to its mutual funds, sub-advised accounts and institutional clients.
- Fees charged to its mutual funds for administrative and other services.

Fee income is also earned from the administration of registered and open accounts at M.R.S. Inc. and through deposit, lending and related services at M.R.S. Trust Company.

Revenues depend largely on the value and composition of assets under management. Mackenzie's proprietary investment research and team of experienced investment professionals and sub-advisors across the multiple brands offered at Mackenzie contribute to delivering flexibility and diversification opportunities through our broad product offerings for our clients.

Fee Income – Mackenzie
For the financial year *($ millions)*



Mackenzie distributes its investment products and expertise through a sophisticated network of third party financial advisors. Mackenzie's wholesale teams work with many of the more than 30,000 independent financial advisors across Canada. To support sales into institutional and specialty markets, Mackenzie also deploys specialty teams in high net worth, group plans, sub-advisory, structured products and institutional areas.

MACKENZIE STRATEGY

Mackenzie strives to ensure that the interests of shareholders, dealers, advisors, investment clients and employees are as closely aligned as possible. Mackenzie's business approach embraces current trends and practices in the global financial services industry and our strategic plan is focused on:

1. The delivery of consistent long-term investment results.
2. Offering a diversified suite of investment solutions for financial advisors and investors.
3. Continuing to build and solidify our distribution relationships.
4. Maximizing returns on business investment by focusing resources on initiatives that have direct benefits to investment management, distribution and client service.

Founded in 1967, Mackenzie continues to build an investment advisory business through proprietary investment research and portfolio management while utilizing strategic partners in a selected sub-advisory capacity. Our sales model focuses on the provision of advice through multiple third party distribution channels. This approach is particularly relevant in the current economic environment as investors look for assistance in positioning their financial plans for the near and long terms. We are committed to continuing to partner with the advice channels going forward.

ASSETS UNDER MANAGEMENT

Mackenzie's total assets under management at December 31, 2008 were $54.7 billion, a decrease of 13.6% from $63.3 billion at December 31, 2007. Mackenzie's mutual fund assets under management were $35.8 billion at December 31, 2008, a decrease of $10.8 billion from $46.6 billion at December 31, 2007. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2008 were $18.9 billion, a 12.8% increase from $16.7 billion last year.

On January 1, 2008, Mackenzie assumed the management contracts for the mutual fund assets of Putnam Investments Inc., which are distributed in Canada, resulting in the addition of $222 million to its assets under management.

On September 25, 2008, Mackenzie acquired Saxon Financial Inc. (Saxon) resulting in the addition of $12.2 billion of assets under management. Saxon's assets under management as well as Saxon's sales and redemptions from September 26, 2008 are included in Mackenzie's results for the year ended December 31, 2008. At December 31, 2008, Saxon's mutual fund assets were $1.3 billion and Saxon's sub-advisory, institutional and other account assets were $9.8 billion. The changes in assets under management are summarized in Table 8.

TABLE 8: CHANGE IN ASSETS UNDER MANAGEMENT – MACKENZIE

	THREE MONTHS ENDED DECEMBER 31			TWELVE MONTHS ENDED DECEMBER 31		
($ millions)	2008	2007	CHANGE	2008	2007	CHANGE
Sales	$ 3,131.8	$ 2,952.5	6.1 %	$ 12,294.7	$ 12,688.4	(3.1)%
Redemptions	4,669.1	2,763.3	69.0	14,962.8	11,658.1	28.3
Net sales (redemptions)	(1,537.3)	189.2	N/M	(2,668.1)	1,030.3	N/M
Assets acquired	–	–	–	12,430.2	–	N/M
Net new money	(1,537.3)	189.2	N/M	9,762.1	1,030.3	N/M
Market and income	(8,578.2)	(407.9)	N/M	(18,378.3)	705.9	N/M
Net change in assets	(10,115.5)	(218.7)	N/M	(8,616.2)	1,736.2	N/M
Beginning assets	64,776.0	63,495.4	2.0	63,276.7	61,540.5	2.8
Ending assets	$ 54,660.5	$ 63,276.7	(13.6)%	$ 54,660.5	$ 63,276.7	(13.6)%
Consists of:						
Mutual funds				$ 35,813.8	$ 46,563.4	(23.1)%
Sub-advisory, institutional and other accounts				18,846.7	16,713.3	12.8
				$ 54,660.5	$ 63,276.7	(13.6)%
Daily average mutual fund assets	$ 35,881.1	$ 46,807.1	(23.3)%	$ 42,040.7	$ 47,587.8	(11.7)%
Monthly average total assets[1]	$ 56,106.6	$ 63,108.6	(11.1)%	$ 59,795.2	$ 63,541.4	(5.9)%

(1) Based on daily average mutual fund assets and month-end average sub-advisory, institutional and other assets.

In the three months ended December 31, 2008, Mackenzie's gross sales were $3.1 billion, an increase of 6.1% from $3.0 billion in the comparative period last year. Redemptions in the current period were $4.7 billion as compared to redemptions of $2.8 billion in 2007. Net redemptions for the three months ended December 31, 2008 were $1.5 billion, as compared to net sales of $0.2 billion last year. During the current quarter, net market depreciation resulted in assets decreasing by $8.6 billion as compared to a decrease of $0.4 billion in 2007.

In the year ended December 31, 2008, Mackenzie's gross sales were $12.3 billion, a decrease of 3.1% from $12.7 billion last year. Redemptions in the current year were $15.0 billion as compared to redemptions of $11.7 billion in 2007. Net redemptions for the year ended December 31, 2008 were $2.7 billion, as compared to net sales of $1.0 billion last year.

During 2008, net market depreciation resulted in assets decreasing by $18.4 billion as compared to market appreciation of $0.7 billion in 2007.

Redemptions of long-term mutual funds in 2008 were $7.5 billion as compared to redemptions of $6.5 billion in 2007. As at December 31, 2008, Mackenzie's twelve-month trailing redemption rate for long-term funds was 18.7%, as compared to 14.1% last year. The average twelve-month trailing redemption rate for long-term funds for all other members of IFIC increased to approximately 17.9% at December 31, 2008 from 13.9% last year. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load units with redemption fees, and matured deferred sales charge units without redemption fees (matured units). Generally, redemption rates for front-end load units and matured units are higher than the redemption rates for deferred sales charge and low load units with redemption fees.

TABLE 9: ASSETS UNDER MANAGEMENT BY INVESTMENT OBJECTIVE – MACKENZIE

($ millions)	2008		2007	
Equity				
Domestic	$ 14,509.8	26.5%	$ 19,385.6	30.7%
Foreign	18,121.8	33.2	27,733.8	43.8
	32,631.6	59.7	47,119.4	74.5
Balanced				
Domestic	7,710.6	14.1	9,754.7	15.4
Foreign	1,920.9	3.5	1,793.4	2.8
	9,631.5	17.6	11,548.1	18.2
Fixed Income				
Domestic	7,907.5	14.5	2,715.3	4.3
Foreign	52.8	0.1	61.8	0.1
	7,960.3	14.6	2,777.1	4.4
Money Market				
Domestic	4,277.0	7.8	1,666.5	2.6
Foreign	160.1	0.3	165.6	0.3
	4,437.1	8.1	1,832.1	2.9
Total	$ 54,660.5	100.0%	$ 63,276.7	100.0%

INSTITUTIONAL AND SUB-ADVISORY BUSINESS

Mackenzie's acquisition of Saxon has expanded its institutional business platform, by adding clients and investment mandate capability, particularly in the fixed income and small cap sectors. Mackenzie also increased its participation in the product platforms of banks, insurance companies and in the product offerings of MD Management and Investors Group.

INVESTMENT MANAGEMENT

Mackenzie's assets under management are diversified by investment objective as set out in Table 9. The development of a broad range of investment capabilities and products has proven to be, and continues to be, a key strength of the organization in satisfying the evolving financial needs of our clients.

The change in Mackenzie's assets under management depends primarily upon the following three factors: (1) the increase or decrease in the market value of the securities held in the portfolios of investments; (2) the level of sales as compared to the level of redemptions; and (3) acquisitions from time to time. Assets under management are subject to the risk of asset volatility resulting from changes in the financial and equity markets, including changes due to the recent volatility in global financial markets. The acquisition of Saxon has also contributed to the level and mix of Mackenzie's assets under management. At December 31, 2008, Saxon's assets under management by investment objective were as follows: Equity – $2.9 billion; Balanced – $1.1 billion; Fixed Income – $4.8 billion; and Money Market – $2.3 billion.

During the first half of the year, growth within emerging economies and increasing commodity prices supported equity markets. However, the decline of investor appetite for credit products, and the ensuing de-leveraging of the global financial system, caused markets to decline during the last quarter of the calendar year.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2008, 56% of Mackenzie's mutual funds were rated in the top two performance quartiles for the one year time frame, 57% for the three year time frame and 48% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar† fund ranking service. At December 31, 2008, 82% of Mackenzie's mutual fund assets measured by Morningstar† had a rating of three stars or better and 48% had a rating of four or five stars.

PRODUCTS

Mackenzie continued its tradition of innovation in 2008, providing additional investment solutions and new services for financial advisors to utilize with clients. Significant developments and new products launched this year included the following:

- March 26 – Mackenzie completed the second closing of the initial public offering of MSP* 2008 Resource Limited Partnership (the "Partnership"). The total amount raised by the Partnership was $25.5 million.
- March 28 – Mackenzie reopened to investors the Mackenzie Cundill* Recovery Fund. This Fund had been closed to new retail subscriptions since April 2006.
- April 4 – Mackenzie Universal* Health Sciences Class won the Lipper® Award for best healthcare equity fund for its 3-year risk adjusted performance.
- September 19 – at special meetings of investors, resolutions were approved to change the investment objectives of the following funds: Symmetry Managed Return Class, Symmetry Equity Class and Mackenzie Sentinel Canadian Managed Yield Class.
- September 26 – Mackenzie merged six of its Putnam funds into Mackenzie funds with similar mandates.
- September 26 – Mackenzie merged Mackenzie Focus America Class into Mackenzie Universal U.S. Blue Chip Class.
- October 10 – Mackenzie, along with Investors Group, was among the first mutual fund companies to offer Tax-Free Savings Account Applications (TFSAs) for Canadian investors.
- November 17 – Mackenzie launched Mackenzie Universal Africa & Middle East Class, the first fund in the Canadian marketplace to invest directly and exclusively in pan-Africa and the Middle East.
- November 24 – Mackenzie launched Symmetry One Portfolios, providing investors with a one-stop investment solution that can be purchased with a single trade through their advisor.
- December 3 – Mackenzie was recognized with three analysts' choice mutual fund awards at the Canadian Investment Awards: Mackenzie Ivy Foreign Equity in the global equity category, Mackenzie Ivy European in the European equity category, and Mackenzie Universal Health Science Class in the healthcare equity category.
- December 8 – Mackenzie launched Mackenzie Ivy American Class, a new U.S. equity fund managed by its Ivy investment team.
- December 9 – Mackenzie launched Mackenzie Guaranteed Investment Funds, a new line of segregated fund policies, offering the protective features of an insurance policy combined with the benefits of an investment fund.
- Throughout 2008, over $334 million in assets were invested in Mackenzie's Destination+* line-up of target date mutual funds.
- Over the course of the year Mackenzie expanded options for investors seeking regular, tax-efficient cash flow, by offering Series T shares on a wide variety of funds. Series T shares give investors the flexibility to tailor their income by choosing between a 5% annualized distribution (Series T5), a 6% annualized distribution (Series T6) and an 8% annualized distribution (Series T8).

TRUST, DEALER AND ADMINISTRATION SERVICES

Mackenzie continues to provide products and services to dealers, financial advisors and their respective clients through its subsidiaries. M.R.S. Trust Company provides an array of loan and deposit products to clients of independent financial advisors including registered and non-registered investment loans, residential mortgages, high-yield deposits and GICs. In addition, M.R.S. Trust provides trustee services to many distribution companies within the Power Financial group of companies. M.R.S. Inc. (MRS) is a carrying dealer service provider to distributors of mutual funds across Canada. MRS serves over 160 dealers and over 12,000 advisors. Clients can hold mutual funds, equities, fixed income securities and other specialty investments in an MRS account. Winfund Software Corp. is one of the larger providers of dealer and advisor software for distributors of mutual funds and segregated funds in Canada.

Mackenzie's earnings from operations before interest and taxes for the three and twelve months ended December 31, 2008 compared with 2007 are presented in Table 10.

FEE AND NET INVESTMENT INCOME

Mackenzie's management fee revenues are earned from services it provides as fund manager to the Mackenzie mutual funds and as investment advisor to sub-advisory and institutional accounts. The majority of Mackenzie's mutual fund assets are purchased on a retail priced basis. Mackenzie also offers various series of its mutual funds with management fees that are designed for fee-based programs, institutional investors and third party investment programs offered by banks, insurance companies and investment dealers. In these series of its mutual funds, Mackenzie does not pay trailing commissions or selling commissions. At December 31, 2008, there were $6.9 billion of mutual fund assets in these series of funds, as compared to $7.8 billion at December 31, 2007.

Management fees were $157.6 million for the three months ended December 31, 2008, a decrease of $57.7 million or 26.8% from $215.3 million last year. For the twelve month period ended December 31, 2008, management fees were $750.0 million, a decrease of $123.8 million or 14.2% from $873.8 million in 2007. The decrease in management fees in both the three and twelve month periods was due to the decline in Mackenzie's monthly average total assets under management combined with the change in mix of its assets under management.

Monthly average total assets under management were $56.1 billion in the three month period ended December 31, 2008 compared to $63.1 billion in 2007, a decrease of 11.1%. Monthly average total assets under management for the twelve month period ended December 31, 2008 were $59.8 billion compared to $63.5 billion in 2007, a decrease of 5.9%.

Mackenzie's average management fee rate was 111.8 basis points in the three month period ended December 31, 2008 and 125.4 basis points in the twelve month period ended December 31, 2008, compared to 135.4 basis points and 137.5 basis points respectively in the comparative periods in 2007. The decrease in the average management fee rate as compared to 2007 was due to the higher growth in Mackenzie's institutional accounts, primarily due to the acquisition of Saxon on September 25, 2008, and in its non-retail priced mutual funds relative to the growth in its retail priced mutual funds as institutional assets and non-retail priced mutual funds have lower management fees. In addition, changes in asset mix within Mackenzie's retail priced mutual funds, which represent the relative proportion of equity and fixed income assets under management, affect average management fee rates.

TABLE 10: OPERATING RESULTS – MACKENZIE

	THREE MONTHS ENDED DECEMBER 31			TWELVE MONTHS ENDED DECEMBER 31		
($ millions)	2008	2007	CHANGE	2008	2007	CHANGE
Fee and net investment income						
Management	$ 157.6	$ 215.3	(26.8)%	$ 750.0	$ 873.8	(14.2)%
Administration	33.8	35.0	(3.4)	136.1	139.2	(2.2)
Distribution	8.5	8.0	6.3	34.3	30.4	12.8
	199.9	258.3	(22.6)	920.4	1,043.4	(11.8)
Net investment income and other	4.6	0.4	N/M	22.7	19.9	14.1
	204.5	258.7	(21.0)	943.1	1,063.3	(11.3)
Operating expenses						
Commissions	30.1	42.9	(29.8)	142.2	164.7	(13.7)
Trailing commissions	40.2	56.5	(28.8)	196.6	230.6	(14.7)
Non-commission	70.3	69.0	1.9	289.6	292.9	(1.1)
	140.6	168.4	(16.5)	628.4	688.2	(8.7)
Earnings before interest and taxes	$ 63.9	$ 90.3	(29.2)%	$ 314.7	$ 375.1	(16.1)%

Administration fees include the following main components:

- Administration fees for providing services to the Mackenzie mutual funds and structured products.
- Asset allocation fees.
- Trustee and other administration fees generated from the MRS account administration business.

Administration fees were $33.8 million for the three months ended December 31, 2008, as compared to $35.0 million last year. Administration fees were $136.1 million for the twelve months ended December 31, 2008, as compared to $139.2 million in 2007.

Effective August 1, 2007, Mackenzie assumed responsibility for the applicable operating expenses of the Mackenzie funds, other than GST and certain specified fund costs, in return for a fixed rate administration fee established for each fund. The results for the three and twelve months ended December 31, 2008 reflect the new fixed rate administration fee and the applicable operating expenses that, prior to August 1, 2007, were borne by the funds.

During the initial period of August 1, 2007 until December 31, 2009, and thereafter as may be applicable, the funds that existed as at August 1, 2007 may pay a monthly operating expense adjustment to Mackenzie if the combined average monthly net assets for all Mackenzie funds and series that were subject to the administration fee proposal that was approved by investors on August 7, 2007 fall to a level that is 95% of the amount of their total net assets. If it becomes payable, Mackenzie will be entitled to receive an operating expense adjustment for that month from each of those funds and series in such amount that will result in all of those series, collectively, paying an administration fee for the month equal to the administration fee that would have been payable had the monthly net assets equaled 95% of the net assets on August 1, 2007 throughout the month. If, in a subsequent month, the monthly net assets increase to an amount equal to or greater than 95% of the net assets on August 1, 2007, the operating expense adjustment will not be payable. Due to the continuing decline in Mackenzie's mutual fund assets, as a result of the volatility in the global markets, Mackenzie was entitled to an operating expense adjustment in 2008. Included in administration fees for the three and twelve month periods ended December 31, 2008 were operating expense adjustments of $6.5 million and $10.1 million, respectively. There were no operating expense adjustments paid by the Mackenzie funds in 2007.

Mackenzie earns distribution fee income on redemptions of mutual fund units sold on a deferred sales charge basis and on a low load basis. Distribution fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Distribution fees for low load assets range from 3.0% in the first year and decrease to zero after three years. Distribution fee income in the three months ended December 31, 2008 was $8.5 million, an increase of $0.5 million from $8.0 million last year. Distribution fee income for the twelve months ended December 31, 2008 was $34.3 million, an increase of $3.9 million from $30.4 million in 2007.

The primary component of net investment income and other is the net interest margin from M.R.S. Trust Company's lending and deposit-taking operations. Net investment income in the three months ended December 31, 2008 was $4.6 million, an increase of $4.2 million from $0.4 million in 2007. Net investment income in the twelve months ended December 31, 2008 was $22.7 million, an increase of $2.8 million from $19.9 million in 2007. Net investment income in the three and twelve month periods ended December 31, 2007 includes a $7.0 million charge recorded on an investment in non-bank sponsored asset-backed commercial paper. Excluding this charge, net investment income in both the three and twelve month periods ended December 31, 2008 were below the corresponding periods last year primarily due to the lower interest rate environment experienced in 2008 as compared to 2007 which resulted in a compression in M.R.S. Trust's net interest spreads.

OPERATING EXPENSES

Mackenzie's operating expenses were $140.6 million for the three months ended December 31, 2008, a decrease of $27.8 million or 16.5% from $168.4 million last year. Operating expenses for the twelve months ended December 31, 2008 were $628.4 million, a decrease of $59.8 million or 8.7% from 2007.

Mackenzie pays selling commissions to the dealers that sell its mutual funds on a deferred sales charge and low load basis. Commission expense, which represents the amortization of selling commissions, was $30.1 million in the three months ended December 31, 2008, as compared to $42.9 million last year. Commission expense in the twelve month period ended December 31, 2008 was $142.2 million as compared to $164.7 million in 2007. Mackenzie amortizes selling commissions over three years from the

date of original purchase of the applicable low load units and over a maximum period of seven years from the date of original purchase of the applicable deferred sales charge units. The decrease in commissions expense in both the three and twelve month periods ended December 31, 2008 as compared to last year is consistent with the general decline in selling commissions paid to dealers in both the current and previous years. An increasing percentage of Mackenzie's mutual funds are now sold on a front-end basis, and Mackenzie does not pay a selling commission on these sales.

Trailing commissions paid to dealers are calculated as a percentage of mutual fund assets under management and vary depending on the fund type and the basis upon which the fund was purchased: front-end, deferred sales charge or low load basis. Trailing commissions are generally not paid on non-retail series of mutual funds and institutional assets. Trailing commissions paid to dealers were $40.2 million in the three months ended December 31, 2008, a decrease of $16.3 million or 28.8% from $56.5 million last year. Trailing commissions in the twelve month period ended December 31, 2008 were $196.6 million, a decrease of $34.0 million or 14.7% from $230.6 million in the comparative period last year. The decrease in trailing commissions in both the three and twelve month periods ended December 31, 2008 is consistent with the period over period decline in average mutual fund assets under management and the change in asset mix within Mackenzie's mutual funds. Trailing commissions as a percentage of average mutual fund assets under management were 44.5 basis points in the three month period ended December 31, 2008 and 46.8 basis points in the twelve month period ended December 31, 2008, compared to 47.9 basis points and 48.4 basis points respectively in the comparative periods last year.

Non-commission expenses were $70.3 million in the three months ended December 31, 2008, an increase of $1.3 million or 1.9% from $69.0 million last year. Non-commission expenses in the twelve months ended December 31, 2008 were $289.6 million, a decrease of $3.3 million or 1.1% from $292.9 million in 2007. Non-commission expenses include costs incurred by Mackenzie related to the administration, marketing and management of its assets under management, as well as costs incurred in its account administration and trust company businesses. Effective September 25, 2008, Mackenzie's non-commission expenses include costs related to Saxon's operations. Excluding Saxon's non-commission expenses, Mackenzie's expenses would have been $65.5 million in the three month period ended December 31, 2008 and $284.6 million in the twelve month period ended December 31, 2008, decreases of $3.5 million and $8.3 million respectively from the corresponding periods last year. The integration of Saxon into Mackenzie's operations was completed in a timely manner in accordance with the business plan prepared by management at the time of acquisition. In addition, as a result of the implementation of the fixed rate administration fee on August 1, 2007, non-commission expenses in 2008 included an additional $5.9 million of mutual fund related expenses than in 2007, as prior to August 1, 2007 these costs were borne by the mutual funds.

IGM Financial Inc.
Consolidated Financial Position

IGM Financial's total assets were $8.2 billion at December 31, 2008, compared to $7.9 billion at December 31, 2007.

SECURITIES

The composition of the Company's securities holdings net of derivatives classified as fair value hedges is detailed in Table 11.

Securities classified as available for sale include equity securities held for long-term investment, fixed income securities and investments in proprietary mutual funds. Unrealized gains and losses on available for sale securities not designated as part of a hedging relationship are recorded in Other comprehensive income until realized. NHA MBS are classified as held for trading and, therefore, unrealized gains and losses are recorded in Net investment income and other in the Consolidated Statements of Income.

The fair value of the Company's common share holdings, net of derivatives classified as fair value hedges, was $294.2 million as at December 31, 2008 compared to $637.0 million at December 31, 2007, a decrease of $342.8 million. The decrease was due to the impact of net sales of common share holdings in 2008 of $210.0 million and the impact of the change in the fair value of the portfolio. Unrealized losses on the securities portfolio net of derivatives were $112.0 million at December 31, 2008 compared to unrealized gains of $20.9 million at December 31, 2007. The Company's exposure to and management of equity price risk related to its common share holdings is discussed fully in the Financial Instruments section of the MD&A and in Notes 2 and 19 in the Consolidated Financial Statements.

Fixed income securities of $231.3 million at December 31, 2008 are comprised primarily of Canadian chartered bank senior deposit notes and bankers' acceptances of $191.7 million and $35.3 million in non-bank-sponsored asset-backed commercial paper (ABCP). The Company's original investment in ABCP totalled $50.2 million. The Company reduced the fair value of the ABCP to $35.3 million by recording charges totalling $9.9 million in 2007 and $2.5 million in each of the second and third quarters of 2008. Refer to Note 2 of the Consolidated Financial Statements for additional information.

LOANS

Loans, including mortgages and investment loans, increased by $35.6 million to $589.6 million at December 31, 2008 and represented 7.1% of total assets, compared to 7.0% at December 31, 2007. Residential mortgage loans related to the Company's mortgage banking operations increased by $81.7 million. In the Company's deposit operations, investment loans increased by $2.6 million while residential mortgage loans decreased by $48.7 million in the twelve month period.

Residential mortgage loans originated by Investors Group are funded primarily through sales to third parties, including CMHC or Canadian bank sponsored securitization trusts, on a fully serviced basis. M.R.S. Trust Company sources mortgage loans through mortgage brokers and investment loans through financial advisors. These loans are funded primarily through the Company's deposit operations and, in certain instances, are sold to third parties (including securitization trusts) on a fully serviced basis.

The Company's exposure to and management of credit risk and interest rate risk related to its loan portfolios and its mortgage banking operations is discussed fully in the Financial Instruments section of the MD&A.

TABLE 11: SECURITIES, NET OF DERIVATIVES CLASSIFIED AS FAIR VALUE HEDGES

	2008		2007	
As at December 31 *($ thousands)*	COST	FAIR VALUE	COST	FAIR VALUE
Common shares(1)	$ 406,172	$ 294,164	$ 616,138	$ 637,026
Investments in proprietary mutual funds	33,360	28,518	26,981	29,269
Fixed income securities	229,969	231,289	40,291	40,291
NHA MBS	15,788	16,077	–	–
	$ 685,289	$ 570,048	$ 683,410	$ 706,586

(1) The fair value of derivatives classified as fair value hedges represent an increase to the fair value of common shares of $32.4 million at December 31, 2008 and $10.3 million at December 31, 2007 and are classified as Other Assets or Other Liabilities on the Consolidated Balance Sheets.

OFF-BALANCE SHEET SECURITIZATION ARRANGEMENTS

The Company's liquidity management practices include the periodic sales of mortgages to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. During 2008, the Company entered into securitization transactions with Canadian bank-sponsored securitization trusts and the CMB Program through its mortgage banking operation with proceeds of $1,441.4 million compared with $1,286.9 million in 2007. Securitized loans serviced at December 31, 2008 totalled $2,943.2 million compared with $2,233.7 million at December 31, 2007. The fair value of the Company's retained interest was $216.5 million at December 31, 2008 and $48.0 million at December 31, 2007. Additional information related to the Company's securitization activities can be found in Notes 1 and 4 of the Consolidated Financial Statements.

Consolidated Liquidity and Capital Resources

LIQUIDITY

Cash and cash equivalents totalled $1.23 billion at December 31, 2008 compared with $1.18 billion at December 31, 2007. A significant portion of cash and cash equivalents and loans relates to the Company's deposit operations as shown in Table 12.

Working capital totalled $817.8 million at December 31, 2008, excluding the Company's cash and cash equivalents related to its deposit operations as shown in Table 12.

Working capital requirements include:

- Financing ongoing operations, including the funding of selling commissions.
- Temporarily financing mortgages in its mortgage banking facility.
- Meeting regular interest and dividend obligations related to long-term debt and preferred shares.
- Payment of quarterly dividends on its outstanding common shares.
- Maintaining liquidity requirements for regulated entities.
- Financing common share repurchases related to the Company's normal course issuer bid.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled $1,518.1 million for 2008 compared to $1,699.5 million in 2007.

Refer to the Financial Instruments section of this MD&A for information related to other sources of liquidity and to the Company's exposure to and management of liquidity risk.

Cash Flows

Table 13 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which form part of the Consolidated Financial Statements for the year ended December 31, 2008. Cash and cash equivalents increased $51.9 million in 2008 compared with a decrease of $145.2 million in 2007.

Operating activities, before payment of commissions, generated $858.9 million during the year ended December 31, 2008, as compared to $1,120.7 million in 2007. Cash commissions paid were $270.1 million in 2008 compared to $347.9 million in 2007. While mutual fund sales decreased approximately 12% in 2008 compared with 2007, commissions paid decreased by 22.4% reflecting an increase in the relative proportion in mutual funds assets purchased on a front-end basis

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
For the financial year *($ millions)*

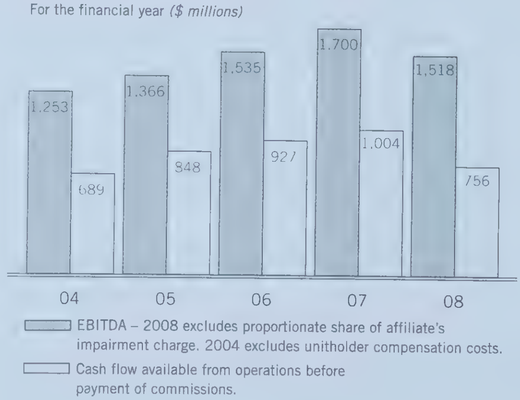


TABLE 12: ASSETS RELATED TO DEPOSIT OPERATIONS

As at December 31 *($ millions)*	2008	2007	CHANGE
Assets			
Cash and cash equivalents	$ 475.2	$ 519.6	(8.5)%
Securities	188.0	–	N/M
Loans	443.3	488.4	(9.2)
Total assets	$ 1,106.5	$ 1,008.0	9.8 %
Liabilities and shareholders' equity			
Deposit liabilities	$ 959.0	$ 856.9	11.9 %
Other liabilities – net	46.5	35.2	32.1
Shareholders' equity	101.0	115.9	(12.9)
Total liabilities and shareholders' equity	$ 1,106.5	$ 1,008.0	9.8 %

TABLE 13: CASH FLOWS

($ millions)	2008	2007	CHANGE
Operating activities			
Before payment of commissions	$ 858.9	$ 1,120.7	(23.4)%
Commissions paid	(270.1)	(347.9)	22.4
Net of commissions paid	588.8	772.8	(23.8)
Financing activities	(220.7)	(328.8)	32.9
Investing activities	(316.2)	(589.2)	46.3
Increase (decrease) in cash and cash equivalents	51.9	(145.2)	135.7
Cash and cash equivalents, beginning of year	1,180.3	1,325.5	(11.0)
Cash and cash equivalents, end of year	$ 1,232.2	$ 1,180.3	4.4 %

rather than on a deferred sales charge basis. Net cash flows from operating activities, net of commissions paid, was $588.8 million in 2008 as compared to $772.8 million in 2007.

Financing activities during the year ended December 31, 2008 compared to the same period in 2007 related primarily to:

- A net increase of $102.1 million in deposits and certificates in 2008 compared to a net increase of $79.4 million in 2007. The net increase in 2008 related to increases in both demand and term deposits levels.
- Net proceeds on bankers' acceptances of $286.6 million in 2008 which related to the acquisition of Saxon Financial Inc. compared to nil in 2007.
- Proceeds received on the issuance of common shares under the Company's stock option program of $22.0 million in 2008 compared with $16.8 million in 2007.
- The payment of regular common share dividends which increased to $513.2 million in 2008 from $453.3 million in 2007 as a result of increases in the Company's common share dividend rate.
- The purchase of 2,824,800 common shares in 2008 under IGM Financial's normal course issuer bid at a cost of $118.2 million compared with the purchase of 1,390,600 common shares at a cost of $71.6 million in 2007.

Financing activities in 2007 also included increases of $99.8 million in short-term borrowings.

Investing activities during the year ended December 31, 2008 compared to the same period in 2007 related primarily to:

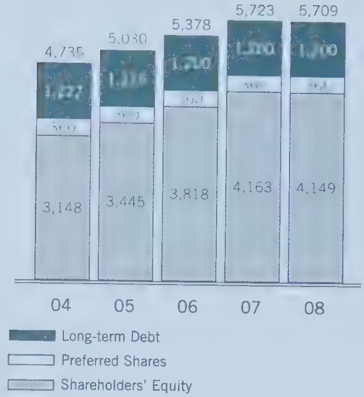
- The acquisition of Saxon Financial Inc., net of cash and cash equivalents assumed, which totalled $264.7 million.
- Purchases of securities totalling $302.6 million and sales of securities with proceeds of $334.7 million in 2008 compared with $635.1 million and $126.8 million, respectively, in 2007.
- Net increases in loans of $1,491.6 million compared to $1,347.7 million in 2007 related primarily to residential mortgages in the Company's mortgage banking operations.
- Net cash proceeds resulting from the securitization of residential mortgage loans through Canadian bank-sponsored securitization trusts and the CMB Program of $1,441.4 million in 2008 compared to $1,286.9 million in 2007.

CAPITAL RESOURCES

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. The Company regularly assesses its capital management practices in response to changing economic conditions. During the year, the Company filed a short form base shelf prospectus as discussed later in this report. This filing gives the Company the flexibility to adjust its capital structure in response to changes in economic

Capital

As at December 31 *($ millions)*



conditions and changes in its financial condition. Capital of the Company consists of long-term debt, preferred shares and shareholders' equity which totalled $5.7 billion at December 31, 2008, unchanged from December 31, 2007.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include trust companies, securities dealers and mutual fund dealers. The Company's subsidiaries have complied with all regulatory capital requirements.

Capital management activities for the year ended December 31, 2008 included the repurchase of 2,824,800 common shares at a cost of $118.2 million under the normal course issuer bid (Note 14 to the Consolidated Financial Statements). The Company intends to commence a normal course issuer bid in 2009 to purchase up to 5% of its common shares in order to provide flexibility to repurchase common shares as conditions warrant. Other capital management activities in 2008 included the declaration of preferred share dividends of $20.7 million and common share dividends of $526.1 million. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity. Long-term debt of $1.2 billion and preferred shares of $360 million remain unchanged.

In the first quarter of 2008, Standard & Poor's (S&P) issued their annual ratings of IGM Financial's senior debt and liabilities. The rating on the Company's senior debt and liabilities was maintained at "A+" with a stable outlook by S&P, reflecting the continuing quality of the Company's balance sheet and the strength of its operations. On July 17, 2008, the Dominion Bond Rating Service (DBRS) confirmed its annual rating at "A (high)" with a stable outlook.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

These ratings are not a recommendation to buy, sell or hold the securities of the Company and do not address market price, nor other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The "A+" rating assigned to the Company's senior unsecured debentures by S&P is the third highest of the ten major rating categories for long-term debt and indicates S&P's view that the Company's capacity to meet its financial commitment on the obligation is strong, but the obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. S&P uses "+" or "-" designations to indicate the relative standing of securities within a particular ratings category.

According to S&P, the "Stable" rating outlook means that the rating is not likely to change over the medium term.

The A (High) rating assigned to IGM Financial's senior unsecured debentures by DBRS is the third highest of the ten rating categories for long-term debt. Under the DBRS system, debt securities rated A (High) are of satisfactory credit quality and protection of interest and principal is considered substantial. While this is a favourable rating, entities in the A (High) category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated companies. A reference to "high" or "low" reflects the relative strength within the rating category, while the absence of either a "high" or "low" designation indicates the rating is placed in the middle of the category.

According to DBRS, the "Stable" rating trend helps give investors an understanding of DBRS's opinion regarding the outlook for the rating.

FINANCIAL INSTRUMENTS

Table 14 presents the carrying value and the fair value of financial instruments.

Fair value is determined using the following methods and assumptions:

- The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, other financial assets, and other financial liabilities.
- Securities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk and maturity.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Preferred share liabilities are valued using quoted prices from active markets.
- Long-term debt is valued by reference to current market prices for debentures and notes payable with similar terms and risks.
- Derivative financial instruments fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

Details of each component of the financial instruments are contained in the various related notes to the Consolidated Financial Statements.

Although the volatility experienced in capital markets throughout the third and fourth quarters of 2008 resulted in changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the year ended December 31, 2008. The Company actively manages risks that arise as a result of holding financial instruments which include liquidity, credit and market risk.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's liquidity management practices include:

- Controls over liquidity management processes;
- Stress testing of various operating scenarios;
- Oversight over liquidity management by Committees of the Board of Directors.

TABLE 14: FINANCIAL INSTRUMENTS

	2008		2007	
As at December 31 (*$ millions*)	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	$ 1,232.2	$ 1,232.2	$ 1,180.3	$ 1,180.3
Securities	537.7	537.7	696.3	696.3
Loans	589.6	591.7	553.9	551.0
Other financial assets	281.1	281.1	259.5	259.5
Derivative assets	169.5	169.5	14.9	14.9
Total financial assets	$ 2,810.1	$ 2,812.2	$ 2,704.9	$ 2,702.0
Liabilities				
Deposits and certificates	$ 959.0	$ 964.2	$ 856.9	$ 857.0
Bankers' acceptances	286.6	286.6	–	–
Other financial liabilities	689.6	689.6	763.3	763.3
Derivative liabilities	141.8	141.8	23.5	23.5
Preferred share liabilities	360.0	366.5	360.0	391.5
Long-term debt	1,200.0	1,206.2	1,200.0	1,353.0
Total financial liabilities	$ 3,637.0	$ 3,654.9	$ 3,203.7	$ 3,388.3

As part of these ongoing liquidity management practices during 2008, the Company:

- Filed a short form base shelf prospectus to give the Company the flexibility to access debt and equity markets;
- Increased the Company's committed lines of credit;
- Developed additional funding sources for the Company's mortgage banking operations;
- Reviewed the concentration and diversification profile of the Company's cash and cash equivalents;
- Reduced the equity component of the Company's securities portfolio.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. The payment of commissions continues to be fully funded through ongoing cash flow from operations.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, residential mortgages are funded primarily through sales to third parties, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization trusts, private placements to institutional investors, or placed with Investors Mortgage and Short Term Income Fund or Investors Group's intermediary operations. During the second quarter of 2008, the Company was approved by CMHC as an issuer of National Housing Act Mortgage Backed Securities (NHA MBS) and as a seller into the Canada Mortgage Bond Program (CMB Program). This issuer and seller status provides Investors Group with additional funding sources for residential mortgages (Note 4 to the Consolidated Financial Statements). During 2008, whole loan sales to third parties totalled $196.3 million and proceeds from securitizations were $1,441.4 million, compared with $681.0 million and $1,286.9 million respectively in 2007.

The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions that are subject to change. In the fourth quarter of 2008, in addition to its continuing support of the CMB Program, the Government of Canada announced additional funding of $75 billion for MBS auctions. An additional $50 billion of funding was announced in its budget in January 2009.

Liquidity requirements for trust subsidiaries which engage in financial intermediary activities are based on policies approved by the investment and conduct review committees of their respective Boards of Directors. As at December 31, 2008, liquidity for the trust subsidiaries was in compliance with these policies.

The Company's contractual maturities are reflected in Table 15.

In addition to IGM Financial's current balance of cash and cash equivalents, other potential sources of liquidity include the Company's lines of credit and portfolio of securities. The Company increased its operating lines of credit with various Schedule I Canadian chartered banks to $475 million as at December 31, 2008 from $260 million as at December 31, 2007. The operating lines of credit as at December 31, 2008 consist of committed lines of $300 million (2007 – nil) and uncommitted lines of $175 million (2007 – $260 million). As at December 31, 2008, the Company had utilized $100.0 million of its uncommitted operating lines of credit, unchanged from December 31, 2007.

TABLE 15: CONTRACTUAL OBLIGATIONS

As at December 31, 2008 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1 – 5 YEARS	AFTER 5 YEARS	TOTAL
Deposits and certificates	$ 727.0	$ 112.5	$ 114.7	$ 4.8	$ 959.0
Bankers acceptances	–	–	286.6	–	286.6
Other liabilities	–	108.1	133.6	–	241.7
Long-term debt(1)	–	–	450.0	750.0	1,200.0
Preferred shares	–	–	360.0	–	360.0
Operating leases(2)	–	42.4	110.2	96.1	248.7
Total contractual obligations	$ 727.0	$ 263.0	$ 1,455.1	$ 850.9	$ 3,296.0

(1) Refer to Note 13 of the Consolidated Financial Statements.

(2) Refer to Note 23 of the Consolidated Financial Statements.
Includes office space and equipment used in the normal course of business.
Lease payments are charged to earnings in the period of use.

In connection with the acquisition of Saxon Financial Inc. on September 25, 2008, the Company maintains a non-revolving bridge credit facility with a Schedule I chartered bank totalling $287 million. At December 31, 2008, the Company had utilized $287.0 million. The credit facility is due October 27, 2009 but may, at the Company's option, be extended to April 2010.

The Company can access the domestic debt and equity markets to raise capital, however, its ability to access capital markets to raise funds is dependent on market conditions which have been adversely affected by the current credit conditions. The Company filed a short form base shelf prospectus, dated November 12, 2008, relating to the offer and issue of up to $1.5 billion of debt securities, first preferred shares, and common shares, or any combination thereof. This filing provides the Company with the flexibility to access the debt and equity markets on a timely basis.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above will be sufficient to fund the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, as reflected in Table 15, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. Dividends increased for the 19th consecutive year in 2008, rising 22.5 cents to $2.00 per share for the year. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the performance of debt and equity markets. The Company's liquidity position and its management of liquidity risk have not changed materially since December 31, 2007.

Credit Risk

Credit risk is the potential for financial loss to the Company if a counterparty in a transaction fails to meet its obligations. The Company's cash and cash equivalents, securities holdings, mortgage and investment loan portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At December 31, 2008, cash and cash equivalents of $1.23 billion consisted of cash balances of $118.6 million on deposit with Canadian chartered banks and cash equivalents of $1.11 billion. Cash equivalents consist of Government of Canada treasury bills totalling $436.3 million, provincial government and government guaranteed commercial paper of $161.2 million and bankers' acceptances issued by Canadian chartered banks of $516.1 million. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

Fixed income securities at December 31, 2008 include $191.7 million of Canadian chartered bank senior deposit notes and bankers' acceptances. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. Fixed income securities also include non-bank-sponsored ABCP, which totalled $35.3 million net of impairment charges and represents the maximum exposure to credit risk at December 31, 2008. Refer to Note 2 to the Consolidated Financial Statements for information related to the valuation of ABCP.

The Company regularly reviews the credit quality of the mortgage and investment loan portfolios and the adequacy of the general allowance. As at December 31, 2008 mortgages and investment loans totalled $287.0 million and $310.5 million, respectively. The allowance for credit losses of $8.0 million at December 31, 2008 exceeded impaired mortgages and investment loans by $7.5 million. As at December 31, 2008, the mortgage portfolios were geographically diverse, 100% residential and 64% insured. The credit risk on the investment loan portfolio is mitigated through the use of collateral, primarily in the form of mutual fund investments. Uninsured non-performing loans over 90 days in the mortgage and investment loan portfolios were $0.5 million at December 31, 2008, unchanged from December 31, 2007 levels. The characteristics of the mortgage and investment loan portfolios have not changed significantly during 2008.

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage and investment loan portfolios have not changed materially since December 31, 2007.

The Company regularly reviews the credit quality of the mortgage loans securitized through CMHC or Canadian bank sponsored (Schedule I chartered banks) securitization trusts. The maximum exposure to credit

risk attributable to securitized mortgage loans is equal to the fair value of the retained interests in the securitized loans, which was $216.5 million at December 31, 2008 compared to $48.0 million in 2007. Retained interests include:

- Cash reserve accounts and rights to future excess spread which totalled $80.0 million at December 31, 2008. This portion of the retained interest is subordinated to the interests of the related CMHC or Canadian bank sponsored securitization trusts and represents the maximum exposure to credit risk for any failure of the borrowers to pay when due. Securitized mortgage loans serviced totalled $2.94 billion at December 31, 2008 compared to $2.23 billion in 2007. Uninsured non-performing loans over 90 days in these portfolios was nil at December 31, 2008 compared to $0.2 million at December 31, 2007. The Company's exposure to credit risk related to cash reserve accounts and rights to future excess spread was not significant at December 31, 2008.
- Fair value of interest rate swaps entered into by the Company with bank-sponsored securitization trusts. The outstanding notional amount of these interest rate swaps was $3.3 billion at December 31, 2008 compared to $2.2 billion in 2007. The fair value of the interest rate swaps was $136.5 million and the exposure to credit risk, which is limited to the fair value of the interest rate swaps which were in a gain position, totalled $153.6 million at December 31, 2008 compared to nil at December 31, 2007. Counterparties are all bank-sponsored securitization trusts and, as a result, management has determined that credit risk related to these interest rate swaps was not significant at December 31, 2008.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Notes 1, 4 and 20 to the Consolidated Financial Statements.

The Company also regularly reviews the credit ratings of derivative financial instrument counterparties. Derivative contracts are either exchange traded or negotiated in the over-the-counter market on a diversified basis with Schedule I chartered banks. The International Monetary Fund, in its October 2008 World Economic Outlook report, indicated, "(Canadian) Banks have generally weathered the financial strains so far, reflecting conservative regulation and low exposure to structured financial products, but risks remain given the strong economic and financial linkages with the United States". The Minister of Finance, in his budget speech dated January 27, 2009, indicated his intention "to provide loans, lines of credit, and the provision and payment of guarantees." The Minister of Finance also noted that he will "enable the government to inject capital directly into federal financial institutions, should such a measure ever be necessary" and added, "we do not foresee the need to use this authority."

The outstanding notional amount of derivative contracts, excluding interest rate swaps negotiated with bank-sponsored securitization trusts discussed above, was $2.7 billion at December 31, 2008 compared to $2.2 billion at December 31, 2007. The increase in the notional amount related primarily to interest rate swaps utilized in the Company's mortgage banking operations as discussed in the Market Risk section. The exposure to credit risk, which is limited to the fair value of those instruments which were in a gain position, increased to $39.4 million at December 31, 2008 from $15.9 million at December 31, 2007 primarily due to the increase in the notional amount of interest rate swaps and to changes in interest rates during 2008. This does not give effect to any netting agreements or collateral arrangements. The Company's exposure to credit risk attributable to derivative contracts which were in a gain position increased significantly in 2008. In all cases, counterparties for derivatives are Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk is not significant at December 31, 2008. Management of credit risk has not changed materially since December 31, 2007. Additional information related to the Company's utilization of derivative contracts can be found in Notes 1 and 20 to the Consolidated Financial Statements.

Market Risk

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in interest rates, foreign exchange rates or equity prices. The Company's financial instruments are generally denominated in Canadian dollars, and do not have significant exposure to changes in foreign exchange rates.

The Company is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in the Company's mortgage banking and intermediary operations. The objective of the Company's asset liability management is to

control interest rate risk by actively managing its interest rate exposure. As at December 31, 2008, the total gap between one-year deposit assets and liabilities was within the Company's stated guidelines. The Company utilizes interest rate swaps in order to reduce the impact of fluctuating interest rates on its mortgage banking and intermediary operations. As part of the securitization transactions with bank-sponsored securitization trusts the Company enters into interest rate swaps with the trusts which transfers the interest rate risk to the Company. The Company is also exposed to relative movements in short-term borrowing costs. Under securitization transactions with bank-sponsored securitization trusts the Company is exposed to ABCP rates. Changes in the relationship between ABCP rates and one-month BA rates may result in fluctuations in the value of these interest rate swaps. As part of the securitization transactions under the CMB Program, the Company enters into interest rate swaps with Schedule 1 chartered bank counterparties that transfer the interest rate risk including reinvestment risk to the Company. To manage interest rate and reinvestment risks, the Company enters into offsetting interest rate swaps with Schedule I chartered bank counterparties to reduce the impact of fluctuating interest rates. As at December 31, 2008, the impact of a 100-basis point change in interest rates to Net income would have been $3.0 million.

The Company is exposed to equity price risk on its securities holdings and on the related derivative financial instruments. The Company adheres to an Investment Policy that outlines the objectives, constraints and parameters relating to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Company. The Company manages its exposure to equity price risk on a portion of its corporate securities portfolio by using a variety of derivative instruments including options and forward contracts. Management regularly reviews the Company's investments to ensure all activities are in adherence to the Investment Policy. Common shares are reviewed periodically, or more frequently when conditions warrant, to determine whether there is objective evidence of an other-than-temporary impairment in value. A significant portion of the unrealized losses occurred during the latter part of 2008 reflecting the current market environment and resulting price fluctuations. The Company holds a diversified portfolio of securities that consists primarily of well-capitalized, dividend-paying Canadian common shares that are included in the S&P TSX 60 Index. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for any recovery of their fair value. As at December 31, 2008, the Company concluded that the gross unrealized losses were temporary.

The Company's securities holdings are classified as available for sale, therefore unrealized gains and losses on securities that are not part of a designated hedging relationship are recorded in Other comprehensive income until realized. As at December 31, 2008, the impact of a 10% decrease in equity prices would have been a $21.4 million unrealized loss recorded in Other comprehensive income.

The Company's exposure to and management of interest rate risk and equity price risk has not changed materially since December 31, 2007.

MARKET RISK RELATED TO ASSETS UNDER MANAGEMENT

At December 31, 2008, mutual fund industry assets in Canada as reported by the Investment Funds Institute of Canada (IFIC) were $506.9 billion, a decrease of 20.2% relative to December 31, 2007 and a decrease of 20.0% relative to September 30, 2008, reflecting the volatility experienced in both credit and capital markets. The $128.4 billion decrease in industry assets since December 31, 2007 reflected net cash outflow of $53 million, an estimated $132.9 billion in market depreciation for the year and $4.5 billion in mutual fund assets not previously reported through IFIC. The $126.7 billion decrease in industry assets since September 30, 2008 reflected net cash outflows of $10.2 billion, an estimated $116.9 billion in market depreciation for the three months and $405 million in mutual fund assets not previously reported through IFIC.

The Company has become subject to an increased risk of asset volatility from changes in the Canadian and international financial and equity markets. Changes in these markets have caused in the past, and would cause in the future, changes in the Company's assets under management, revenues and earnings. Global economic conditions, exacerbated by war or financial crises, changes in the equity market place, currency exchange rates, interest rates, inflation rates, the yield curve, defaults by derivative counterparties and other factors that are difficult to predict affect the mix, market values and levels of assets under management. The funds managed by the Company may be subject to unanticipated redemptions as a result of such events. Changing market conditions may also cause a shift

in asset mix between equity and fixed income assets, potentially resulting in a decline in the Company's revenue and earnings depending upon the nature of the assets under management and the level of management fees earned by the Company.

IGM Financial provides Consultants and independent financial advisors with a high level of service and support and a broad range of investment products based on asset classes, countries or regions, and investment management styles. These are key advantages in maintaining strong client relationships and decreasing redemption rates.

The mutual fund industry and financial advisors continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility our Consultants and independent financial advisors play a key role in assisting investors to maintain perspective and focus on their long-term objectives.

Redemption rates for long-term funds are summarized in Table 16 and are discussed in the Investors Group and Mackenzie Segment Operating Results section of the MD&A.

OTHER RISK FACTORS

Distribution Risk

Investors Group Consultant Network – Investors Group derives all of its mutual fund sales through its Consultant network. Investors Group Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on Investors Group's results of operations and business prospects. Investors Group is focused on growing its distribution network of Consultants as discussed in the Investors Group Review of the Business section of the MD&A.

Mackenzie – Mackenzie derives substantially all of its mutual fund sales through independent financial advisors. Mackenzie's ability to market its products is highly dependent on access to various distribution channels. These intermediaries generally offer their clients investment products in addition to, and in competition with Mackenzie. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. However, Mackenzie's diverse portfolio of financial products and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading companies serving independent financial advisors. These factors are discussed further in the Mackenzie Review of the Business section of the MD&A.

The Regulatory Environment

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The principal regulators of the Company and its subsidiaries are the Canadian Securities Administrators, the Mutual Fund Dealers Association of Canada, the Investment Industry Regulatory Organization of Canada and the Office of the Superintendent of Financial Institutions. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. Regulatory standards affecting the Company and the financial services industry are increasing. The Company and its subsidiaries are subject to regular regulatory reviews as part of the normal ongoing process of oversight by the various regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages regulatory risk through its efforts to promote a strong culture of compliance. It monitors regulatory developments and their impact on the Company. It also continues to

TABLE 16: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

As at December 31	2008	2007
IGM Financial Inc.		
Investors Group	7.9%	7.3%
Mackenzie	18.7%	14.1%
Counsel Group of Funds	14.8%	9.4%

develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Company receives regular reporting on compliance initiatives and issues.

Contingencies

The Company is subject to legal actions, including class actions, arising in the normal course of its business. Two class actions related to alleged market timing trading activity in mutual funds of the companies are continuing. Investors Group entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Acquisition Risk

The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition is dependent on retaining assets under management, clients, and key employees of an acquired company.

Model Risk

The Company uses a variety of models to assist in: the valuation of financial instruments; operational scenario testing; management of cash flows; capital management; and, assessment of potential acquisitions. These models incorporate internal assumptions, observable market inputs and available market prices. Effective controls exist over the development, implementation and application of these models.

Outlook

THE FINANCIAL SERVICES ENVIRONMENT

At December 31, 2008, mutual fund industry assets in Canada were $506.9 billion, a decrease of 20.2% relative to December 31, 2007. This $128.4 billion decrease in industry assets from December 31, 2007 reflected net cash outflow of $53.0 million, an estimated $132.9 billion in market depreciation and $4.5 billion in mutual fund assets not previously reported through the Investment Funds Institute of Canada (IFIC).

Towards the end of 2007, and throughout 2008, global stock market volatility continued as a result of significant credit concerns and slowing U.S. and global economic growth. A weak global economic outlook, continued financial market volatility and uncertainty as to the timing of a recovery is expected to create a challenging environment for the financial services industry.

In this context, the importance of a strong relationship with an advisor to keep focused on long-term financial goals is paramount. The significant role of an advisor in assisting with financial planning is appreciated by the vast majority of investing Canadians. Annual published surveys by IFIC over the last three years indicated that approximately 85% of mutual fund investors preferred to invest through an advisor and they rated the support and advice provided by their advisors very highly. A primary theme in the Company's business model is to support financial advisors as they work with clients to plan for and achieve their financial goals.

Investors Group continues to respond to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice and its Consultants work with clients to help them understand the impact of financial market volatility on their long-term financial planning.

Mackenzie is maintaining its focus on delivering consistent long-term investment performance staying true to the multiple styles deployed in the investment process, while continuing to emphasize product innovation and communication with advisors and investors through this period of market volatility.

As Canadians weather the current economic conditions, they will increasingly be focused on their short and long-term financial planning needs. IGM Financial continues to focus on our commitment to provide quality investment advice and financial products, service innovations, effective management of the Company and long-term value for its clients and shareholders.

In addition to current market conditions, the financial services industry continues to be influenced by:

- Shifting demographics as the number of Canadians in their prime savings years continue to increase.
- Changes in investor attitudes and strong preferences to deal through an advisor.
- Changes in the regulatory environment.
- An evolving competitive landscape.
- Advancing and changing technology.

Deregulation, competition and technology have fostered a trend towards financial service providers offering a comprehensive range of products and services in-house. Traditional distinctions between bank branches, full service brokerages, financial planning firms and insurance agent forces are obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf.

Investment funds, which include mutual funds, remain the most popular financial asset class relied upon by Canadians for their retirement savings, and they represent over one-third of Canadian long-term discretionary financial assets. Management believes that investment funds are likely to remain the preferred savings vehicle of Canadians. Investment funds provide investors with the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

THE COMPETITIVE LANDSCAPE

IGM Financial and its subsidiaries operate in a highly competitive environment. Investors Group and Investment Planning Counsel compete directly with other retail financial service providers, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Investors Group, Mackenzie and the Counsel Group of Funds compete directly with other investment managers for assets under management, and also compete with other asset classes, including stocks, bonds and other passive investment vehicles, for share of the investment assets of Canadians.

Canadian banks remain a dominant force in Canadian retail financial services. The banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. In recent years, bank branches have increased their emphasis on both financial planning and mutual funds. In addition, each of the big six banks has one or more mutual fund management subsidiaries.

Collectively, mutual fund assets of the big six bank-owned mutual fund managers and affiliated firms represented 41% of total industry long-term mutual fund assets at December 31, 2008 and accounted for approximately 42% of the industry's long-term mutual fund net sales during 2008, down from 46% in 2007.

Mutual fund dealers and other financial planning firms represent a significant distribution channel for mutual funds in Canada. The last ten years have been characterized by significant consolidation in this sector of the industry, with many of the larger firms being purchased by mutual fund managers and insurers. Management anticipates continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

As a result of consolidation activity in the last several years, the Canadian mutual fund management industry is characterized by large, often vertically-integrated, firms. The industry continues to be very concentrated, with the ten largest firms and their subsidiaries representing 79.6% of industry long-term mutual fund assets and 80.1% of total mutual fund assets under management at December 31, 2008.

Management believes scale, access to distribution, and a broad product shelf are key competitive success factors in the financial services industry.

MEETING COMPETITIVE CHALLENGES

Management believes that IGM Financial is well-positioned to meet competitive challenges and capitalize on future opportunities. The Company enjoys several competitive strengths, including:

- Broad and diversified distribution with an emphasis on financial advisors.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Significant economies of scale.
- Being part of the Power Financial group of companies, which includes Great-West Life, London Life and Canada Life.

Broad and Diversified Distribution

IGM Financial's distribution strength is a competitive advantage. In addition to owning two of Canada's largest financial planning organizations, Investors Group and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing sub-advisory business, partners with Canadian and U.S. manufacturing and distribution complexes to provide investment management to a number of retail investment fund mandates.

Broad Product Capabilities

During 2008, as discussed earlier within the segmented results, IGM Financial's subsidiaries continued to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

Enduring Relationships

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors enjoy with clients. In addition, the Company's subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

Significant Economies of Scale

At December 31, 2008, IGM Financial's total assets under management were $101.7 billion compared with $123.0 billion in 2007, a decrease of 17.3%. Included in the Company's total assets under management were mutual fund assets of $85.0 billion at year end 2008 compared to $109.0 billion at year end 2007. Declines in mutual fund assets during 2008 were consistent with declines in assets in the mutual fund industry. IGM Financial enjoys a 15.2% share of industry mutual fund assets under management (2007 – 15.5%) and has 21% more long-term mutual fund assets than its nearest competitor. This scale continues to assist the Company in managing its resources effectively and developing long-term growth in its businesses.

Part of Power Financial Group of Companies

As part of the Power Financial group of companies, IGM Financial benefits through cost savings from shared service arrangements, as well as through access to distribution, products, and capital.

Accounting Estimates and Policies

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the mutual fund and other financial services industries; others are specific to IGM Financial's businesses and operations. IGM Financial's significant accounting policies are described in detail in Note 1 of the Consolidated Financial Statements.

Critical accounting estimates relating to the fair value of financial instruments, goodwill and intangibles, income taxes and deferred selling commissions relate to both the Investors Group and Mackenzie reportable segments while critical accounting estimates relating to employee future benefits relate only to the Investors Group reportable segment.

The major critical accounting estimates are summarized below.

- *Fair Value of Financial Instruments* – The Company's financial instruments are carried at fair value, except for loans and receivables which are carried at amortized cost. The fair value of publicly traded financial instruments is determined using published market prices. The Company also holds financial instruments, including retained interests in securitization trusts, where published market prices are not available. In these instances the values are determined using various valuation models. These valuation models maximize the use of observable market inputs where available however certain assumptions and estimates require management judgment including excess spread, prepayment rates, expected credit losses, and discount rates. Valuation methodologies and assumptions are reviewed on an ongoing basis.

  The Company's investment securities are classified as available for sale and comprise equity securities held for long-term investment, debt securities and investments in proprietary mutual funds. Unrealized gains and losses on securities that are not part of a designated hedging relationship are recorded in Other comprehensive income until realized or until the securities are other than temporarily impaired, at which time they are recorded in the Consolidated Statements of Income. Management regularly reviews the investment securities classified as available for sale to assess whether there has been an other than temporary decline in value. The Company considers such factors as the nature of the investment, the length of time and the extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuer, and the Company's intent and ability to hold the investment to allow for the recovery of its fair value. A significant change in this assessment may result in unrealized losses being recognized in net income. Refer to the Consolidated Financial Position Section of this MD&A for additional information.
- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 7 of the Consolidated Financial Statements. The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. Goodwill impairment testing is a two step process. Goodwill is first allocated to reporting units and impairment is assessed by comparing the value of a reporting unit to its carrying amount. If the fair value of the reporting unit exceeds its carrying value, no further testing is performed. If the fair value of the reporting unit is less than its carrying value, a second test is performed to compare the fair value of goodwill to its carrying value to determine the amount of impairment loss, if any. Indefinite life intangible assets are tested for impairment by comparing their fair value to their carrying amounts. Definite life intangible assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

  These tests involve the use of estimates and assumptions appropriate in the circumstances. In assessing fair value, valuation models are used that include discounted cash flows, comparable acquisitions and industry trading multiples. The models use assumptions that include levels of growth in assets under management from net sales and market, pricing and margin changes, synergies achieved on acquisition, discount rates, and observable data for comparable transactions. The annual impairment testing was completed prior to the fourth quarter of 2008. During the fourth quarter of 2008, management's process of impairment review considered the impact of changing economic conditions and determined that an impairment test was not necessary.

- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Income. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and, as well, income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the future tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results and in Note 12 of the Consolidated Financial Statements.
- *Employee future benefits* – The Company maintains a number of employee future benefit plans. These plans include a funded registered defined benefit pension plan for all eligible employees, an unfunded supplementary executive retirement plan for certain executive officers and an unfunded post-retirement health care and life insurance plan for eligible retirees. The registered defined benefit pension plan provides pensions based on length of service and final average earnings.

  Due to the long-term nature of these plans, the calculation of benefit expenses and obligations depends on various assumptions including discount rates, expected rates of return on assets, healthcare cost trend rates, projected salary increase, retirement age, and mortality and termination rates. The discount rate assumption is determined using a yield curve of AA corporate debt securities. All other assumptions are determined by management and reviewed by independent actuaries who calculate the pension and other future benefits expenses and benefit obligations. Actual experience that differs from the actuarial assumptions will affect the amounts of the accrued benefit obligation and benefit expense.

  The Company measured its benefit obligations and its defined benefit pension plan assets as at December 31, 2008. During 2008, the performance of the defined benefit pension plan assets was negatively impacted by the current economic conditions. Pension plan asset losses were $51.2 million in 2008. Bond yields increased in 2008 in response to the uncertainty and volatility in the global financial markets thereby impacting the discount rate used to measure the Company's benefit obligations. The discount rate utilized to value the defined benefit pension plan obligations at December 31, 2008 increased to 7.50% from 5.57% at December 31, 2007. The increase in the discount rate resulted in an actuarial gain of $40.7 million which partially offset asset losses described above. These actuarial gains and losses are amortized over the expected average remaining service life of employees which decreases the volatility to pension expense recognized each year. A change of 0.25% in the discount rate utilized in 2008 would result in a change of $1.4 million in the accrued benefit obligation and $0.2 million in pension expense. A change of 0.25 % in the long-term rate of return on assets assumed for 2008 would result in a change of $0.1 million in pension expense. Additional information regarding the Company's accounting for pensions and other post-retirement benefits is included in Notes 1 and 11 of the Consolidated Financial Statements.
- *Deferred selling commissions* – Commissions paid on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value. At December 31, 2008, there were no indications of impairment to deferred selling commissions.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted CICA 1535, Capital Disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital. See the Capital Resources section of this MD&A and Note 15 to the Consolidated Financial Statements for the disclosures required under CICA 1535.

On January 1, 2008, the Company adopted CICA 3862, Financial Instruments – Disclosure, and CICA 3863, Financial Instruments – Presentation,

replacing CICA 3861. CICA 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Company manages those risks. CICA 3863 carries forward unchanged the presentation requirements of CICA 3861 with respect to financial instruments. See the Financial Instruments section of this MD&A and Note 19 to the Consolidated Financial Statements for the disclosures required under CICA 3862.

On January 1, 2007, the Company adopted four new accounting standards: CICA 3855, Financial Instruments – Recognition and Measurement, CICA 3865, Hedges, CICA 1530, Comprehensive Income, and CICA 3251, Equity.

These standards require that all financial assets be classified in one of the following categories: available for sale, held to maturity, trading or loans and receivables. The standards require that all financial assets be carried at fair value in the Consolidated Balance Sheets, except loans and receivables including mortgages and securities classified as held to maturity, which are carried at amortized cost using the effective interest method. Financial liabilities must be classified as either trading, which are carried at fair value, or other than held for trading, which are carried at amortized cost using the effective interest method.

The Consolidated Statements of Comprehensive Income have been included in the Company's financial statements. The Consolidated Statements of Changes in Shareholders' Equity have replaced the Consolidated Statements of Retained Earnings in the Company's financial statements. Unrealized gains and losses on financial assets classified as available for sale, the effective portion of changes in the fair value of cash flow hedging instruments and other comprehensive income amounts, including unrealized foreign currency translation gains and losses related to the Company's investment in its affiliate, are recorded in the Consolidated Statements of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income forms part of Shareholders' equity.

On January 1, 2007, the Company's securities portfolio and funds held in escrow were classified as available for sale. The loans portfolio was classified as loans and receivables and is carried at amortized cost. Long-term debt, preferred share liabilities and deposits and certificates were classified as other than held for trading and are carried at amortized cost.

On January 1, 2007, transitional adjustments were recorded in the opening balance of Accumulated other comprehensive income to recognize the fair value of financial assets classified as available for sale and hedging instruments designated as cash flow hedges. The recognition of the fair value of available for sale securities increased Securities by $95.7 million and increased funds held in escrow included in Other assets by $3.5 million. The recognition of the fair value of derivatives designated as cash flow hedges increased Other liabilities by $42.6 million. Accumulated other comprehensive income increased by $46.3 million on an after tax basis. The foreign currency translation balance of $39.8 million related to the Company's investment in its affiliate was reclassified from Retained earnings to Accumulated other comprehensive income. Prior periods were not restated except for the reclassification of the foreign currency translation balances. There was no impact to net income on transition as a result of implementation of the standards.

FUTURE ACCOUNTING CHANGES

Goodwill and Intangible Assets

On January 1, 2009, the Company adopted CICA 3064, Goodwill and Intangible Assets. This standard contains revised guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operations.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has announced that Canadian GAAP will be replaced by IFRS, as published by the International Accounting Standards Board. Publicly accountable enterprises will be required to adopt IFRS on or by January 1, 2011. The Company will issue its initial Consolidated Financial Statements under IFRS, including comparative information, for the quarter ended March 31, 2011.

The Company has developed an IFRS changeover plan which addresses key elements of the convergence to IFRS and includes a formal project governance structure.

The Company has identified the differences between IFRS and Canadian GAAP that are expected to impact the Company, and is in the process of evaluating the impacts of the changeover on all business activities, accounting policies, information technology and data systems, internal controls over financial reporting, and disclosure controls and procedures. Currently it is not possible to fully determine the impact to the financial statements and any potential business impacts.

As the Company's changeover plans are being developed, requirements for financial reporting resources and training are being modified appropriately.

Disclosure Controls and Procedures

Based on their evaluations as of December 31, 2008, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that (a) material information relating to the issuer is made known to the Co-Presidents and Chief Executive Officers and the Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared, and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Controls Over Financial Reporting

Based on their evaluations as of December 31, 2008, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's internal controls over financial reporting are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. During the fourth quarter of 2008, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

TRANSACTIONS WITH RELATED PARTIES

IGM Financial enters into transactions with Great-West Life, London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco. These transactions are in the normal course of business and have been recorded at the agreed upon exchange amounts as described below.

- The Company provided to and received from Great-West Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributed insurance products under a distribution agreement with Great-West Life and Canada Life and received $39.7 million in distribution fees (2007 – $31.8 million).
  The Company received $13.0 million (2007 – $14.2 million) related to the provision of sub-advisory services for certain Great-West Life, London Life and Canada Life segregated mutual funds. The Company paid $34.1 million (2007 – $30.9 million) to London Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2008, the Company sold residential mortgage loans to Great-West Life and London Life for $143.4 million compared to $153.7 million in 2007.

For further information on transactions involving related parties, see Notes 5 and 24 of the Consolidated Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2008 totalled 262,364,622. As at February 12, 2009, outstanding common shares totalled 262,401,722.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.

Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Responsibility for Financial Reporting

The consolidated financial statements of IGM Financial Inc. and related financial information have been prepared by Management, which is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with Canadian generally accepted accounting principles. Financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance of the reliability of financial information and the safeguarding of all assets controlled by the Company. These controls and supporting procedures include quality standards in hiring and training employees, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated by extensive internal audit programs, which are subject to scrutiny by the shareholders' auditors.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. The Board is assisted in discharging this responsibility by an Audit Committee, consisting of directors who are not officers or employees of the Company. This Committee reviews the consolidated financial statements and recommends them for approval by the Board. In addition, the Audit Committee reviews the recommendations of the internal auditor and the shareholders' auditors for improvements in internal control and the action of Management to implement such recommendations. In carrying out its duties and responsibilities, the Committee meets regularly with Management and with both the internal auditor and the shareholders' auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Deloitte & Touche LLP, independent auditors appointed by the shareholders, have examined the consolidated financial statements of the Company in accordance with Canadian generally accepted auditing standards, and have expressed their opinion upon the completion of their examination in their Report to the Shareholders. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting and the adequacy of the systems of internal control.

Murray J. Taylor
Co-President and Chief Executive Officer

Charles R. Sims
Co-President and Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President, Finance

Auditors' Report

To the Shareholders, IGM Financial Inc.

We have audited the consolidated balance sheets of IGM Financial Inc. as at December 31, 2008 and 2007 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba
February 12, 2009

Consolidated Statements of Income

For the years ended December 31 *(in thousands of dollars, except shares and per share amounts)*	2008	2007
Fee and net investment income		
Management	**$ 1,867,223**	$ 2,096,032
Administration	**349,249**	349,428
Distribution	**286,044**	255,501
Net investment income and other	**202,172**	194,146
Total fee and net investment income	**2,704,688**	2,895,107
Operating expenses		
Commission expense	**906,271**	947,053
Non-commission expense	**647,854**	622,988
Interest expense	**90,604**	88,330
Total operating expenses	**1,644,729**	1,658,371
	1,059,959	1,236,736
Proportionate share of affiliate's impairment charge, net of tax *(Note 5)*	**60,346**	–
Income before income taxes, non-controlling interest and proportionate share of affiliate's gain	**999,613**	1,236,736
Income taxes *(Note 12)*	**292,551**	354,682
Income before non-controlling interest and proportionate share of affiliate's gain	**707,062**	882,054
Non-controlling interest	**1,266**	2,919
Net income before proportionate share of affiliate's gain	**705,796**	879,135
Proportionate share of affiliate's gain *(Note 5)*	**25,003**	–
Net income	**$ 730,799**	$ 879,135
Average number of common shares *(in thousands) (Note 22)*		
– Basic	**263,323**	264,604
– Diluted	**264,808**	267,303
Earnings per share *(in dollars) (Note 22)*		
Excluding proportionate share of affiliate's gain		
– Basic	**$ 2.68**	$ 3.32
– Diluted	**$ 2.67**	$ 3.29
Including proportionate share of affiliate's gain		
– Basic	**$ 2.78**	$ 3.32
– Diluted	**$ 2.76**	$ 3.29

(See accompanying notes to consolidated financial statements.)

Consolidated Balance Sheets

As at December 31 *(in thousands of dollars)*	2008	2007
Assets		
Cash and cash equivalents	**$ 1,232,171**	$ 1,180,284
Securities *(Note 2)*	**537,653**	696,279
Loans *(Note 3)*	**589,564**	553,947
Investment in affiliate *(Note 5)*	**574,442**	560,683
Deferred selling commissions	**940,603**	989,784
Other assets *(Note 6)*	**656,877**	465,089
Intangible assets *(Note 7)*	**1,110,370**	1,028,731
Goodwill *(Note 7)*	**2,592,317**	2,383,798
	$ 8,233,997	$ 7,858,595
Liabilities		
Deposits and certificates *(Note 8)*	**$ 958,999**	$ 856,895
Bankers' acceptances *(Note 9)*	**286,615**	–
Other liabilities *(Note 10)*	**907,716**	863,961
Future income taxes *(Note 12)*	**371,746**	414,756
Long-term debt *(Note 13)*	**1,200,000**	1,200,000
Preferred shares *(Note 14)*	**360,000**	360,000
	4,085,076	3,695,612
Shareholders' Equity		
Common shares	**1,511,110**	1,504,290
Contributed surplus	**29,115**	22,175
Retained earnings	**2,781,755**	2,678,618
Accumulated other comprehensive loss	**(173,059)**	(42,100)
	4,148,921	4,162,983
	$ 8,233,997	$ 7,858,595

(See accompanying notes to consolidated financial statements.)

On behalf of the Board

Murray J. Taylor
Director

Donald F. Mazankowski
Director

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31 *(in thousands of dollars)*	2008	2007
Common shares *(Note 14)*		
Balance, beginning of year	**$ 1,504,290**	$ 1,493,954
Issued under stock option plan	**22,996**	18,229
Purchased for cancellation	**(16,176)**	(7,893)
Balance, end of year	**1,511,110**	1,504,290
Contributed surplus		
Balance, beginning of year	**22,175**	15,339
Stock options		
Current period expense	**7,976**	8,249
Exercised	**(1,036)**	(1,413)
Balance, end of year	**29,115**	22,175
Retained earnings		
Balance, beginning of year		
As previously reported	**2,678,618**	2,308,380
Reclassification to accumulated other comprehensive income *(Note 1)*	**–**	39,777
As restated	**2,678,618**	2,348,157
Net income	**730,799**	879,135
Common dividends	**(526,139)**	(469,545)
Common share cancellation excess and other *(Note 14)*	**(101,523)**	(79,129)
Balance, end of year	**2,781,755**	2,678,618
Accumulated other comprehensive income (loss) *(Note 16)*		
Balance, beginning of year	**(42,100)**	(39,777)
Change in accounting policy *(Note 1)*	**–**	46,339
Other comprehensive loss	**(130,959)**	(48,662)
Balance, end of year	**(173,059)**	(42,100)
Total Shareholders' Equity	**$ 4,148,921**	$ 4,162,983

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Comprehensive Income

For the years ended December 31 *(in thousands of dollars)*	2008	2007
Net income	**$ 730,799**	$ 879,135
Other comprehensive income (loss), net of tax *(Note 16)*		
Net unrealized gains (losses) on available for sale securities:		
Unrealized gains (losses)	**(120,845)**	1,273
Reclassification adjustment for (gains) losses included in net income	**(9,520)**	(64,313)
	(130,365)	(63,040)
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	**–**	1,952
Reclassification adjustment for (gain) loss included in net income	**–**	33,083
	–	35,035
Other comprehensive loss (OCL) related to investment in affiliate and other	**(594)**	(20,657)
Other comprehensive income (loss)	**(130,959)**	(48,662)
Comprehensive income	**$ 599,840**	$ 830,473

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Cash Flows

For the years ended December 31 *(in thousands of dollars)*	2008	2007
Operating activities		
Net income	**$ 730,799**	$ 879,135
Adjustments to determine net cash from operating activities		
Future income taxes	**(29,290)**	(31,690)
Commission amortization	**319,305**	332,184
Amortization of capital and intangible assets	**31,603**	25,699
Proportionate share of affiliate's impairment charge	**60,346**	–
Proportionate share of affiliate's gain	**(25,003)**	–
Changes in operating assets and liabilities and other	**(228,806)**	(84,616)
	858,954	1,120,712
Commissions paid	**(270,124)**	(347,898)
	588,830	772,814
Financing activities		
Net increase in deposits and certificates	**102,104**	79,390
Increase in short-term borrowings	**–**	99,845
Net proceeds on bankers' acceptances	**286,615**	–
Issue of common shares	**21,960**	16,816
Common dividends paid	**(513,205)**	(453,300)
Common shares purchased for cancellation	**(118,207)**	(71,574)
	(220,733)	(328,823)
Investing activities		
Acquisition of Saxon Financial Inc., less cash and cash equivalents acquired *(Note 26)*	**(264,715)**	–
Purchase of securities	**(302,573)**	(635,133)
Proceeds from the sale of securities	**334,744**	126,835
Net increase in loans	**(1,491,559)**	(1,347,710)
Proceeds from securitizations *(Note 4)*	**1,441,370**	1,286,900
Net additions to capital assets	**(33,239)**	(19,594)
Other	**(238)**	(473)
	(316,210)	(589,175)
Increase (decrease) in cash and cash equivalents	**51,887**	(145,184)
Cash and cash equivalents, beginning of year	**1,180,284**	1,325,468
Cash and cash equivalents, end of year	**$ 1,232,171**	$ 1,180,284
Cash	**$ 118,641**	$ 123,649
Cash equivalents	**1,113,530**	1,056,635
	$ 1,232,171	$ 1,180,284
Supplemental disclosure of cash flow information		
Amount of interest paid during the year	**$ 129,581**	$ 131,901
Amount of income taxes paid during the year	**$ 414,612**	$ 392,396

(See accompanying notes to consolidated financial statements.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements of IGM Financial Inc. (Company) have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements. Key components of the financial statements requiring management to make estimates include goodwill, intangible assets, income taxes, deferred selling commissions and employee future benefits. Actual results may differ from such estimates.

Basis of consolidation

The Consolidated Financial Statements include the accounts of the Company and all subsidiaries on a consolidated basis after elimination of intercompany transactions and balances.

The equity method is used to account for the Company's investment in Great-West Lifeco Inc. (Lifeco), an affiliated company. Both companies are controlled by Power Financial Corporation.

Changes in accounting policies – financial instruments

On January 1, 2008, the Company adopted CICA 1535, Capital Disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital.

On January 1, 2008, the Company adopted CICA 3862, Financial Instruments – Disclosures and CICA 3863, Financial Instruments – Presentation, replacing CICA 3861. CICA 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Company manages those risks. CICA 3863 carries forward unchanged the presentation requirements of CICA 3861 with respect to financial instruments.

On January 1, 2007, the Company adopted four new accounting standards: CICA 3855, Financial Instruments – Recognition and Measurement, CICA 3865, Hedges, CICA 1530, Comprehensive Income, and CICA 3251, Equity.

These standards require that all financial assets be classified in one of the following categories: available for sale, held to maturity, trading or loans and receivables. The standards require that all financial assets be carried at fair value in the Consolidated Balance Sheets, except loans and receivables including mortgages and securities classified as held to maturity, which are carried at amortized cost using the effective interest method. Financial liabilities must be classified as either trading, which are carried at fair value, or other than held for trading, which are carried at amortized cost using the effective interest method.

The Consolidated Statements of Comprehensive Income have been included in the Company's financial statements. The Consolidated Statements of Changes in Shareholders' Equity replaced the Consolidated Statements of Retained Earnings in the Company's financial statements. Unrealized gains and losses on financial assets classified as available for sale, the effective portion of changes in the fair value of cash flow hedging instruments and other comprehensive income amounts, including unrealized foreign currency translation gains and losses related to the Company's investment in its affiliate, are recorded in the Consolidated Statements of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income forms part of Shareholders' equity.

On January 1, 2007, the Company's securities portfolio and funds held in escrow were classified as available for sale. The loans portfolio was classified as loans and receivables and is carried at amortized cost. Long-term debt, preferred share liabilities, and deposits and certificates were classified as other than held for trading and are carried at amortized cost.

On January 1, 2007, transitional adjustments were recorded in the opening balance of Accumulated other comprehensive income to recognize the fair value of financial assets classified as available for sale and hedging instruments designated as cash flow hedges. The recognition of the fair value of available for sale securities increased Securities by $95.7 million and increased funds held in escrow included in Other assets by $3.5 million. The recognition of the fair value of derivatives designated as cash flow hedges increased Other liabilities by $42.6 million. Accumulated other comprehensive income increased by $46.3 million on an after tax basis. The foreign currency translation balance of $39.8 million related to the Company's investment in its affiliate was reclassified from Retained earnings to Accumulated other comprehensive income. Prior periods were not restated except for the reclassification of the foreign currency translation balances. There was no impact to net income on transition as a result of implementation of the standards. The transitional provisions of the financial instruments standards required that prior periods not be restated with the exception of cumulative translation balances. This resulted in all derivative instruments, securities and funds held in escrow being recorded at fair value on the balance sheet beginning January 1, 2007.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Management fees are based on the net asset value of mutual fund assets under management and are recognized on an accrual basis when the service is performed. Administration fees are also recognized on an accrual basis when the service is performed. Distribution revenue derived from mutual fund and securities transactions are recognized on a trade date basis. Distribution revenue derived from insurance and other financial services transactions are recognized on an accrual basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments with short-term maturities. Interest income is recorded on an accrual basis in Net investment income and other in the Consolidated Statements of Income.

Securities

Investment securities, which are recorded on a trade date basis, are classified as either available for sale or held for trading.

Available for sale securities comprise equity securities held for long-term investment, investments in proprietary mutual funds and fixed income securities. Realized gains and losses on disposal of available for sale securities, dividends declared, interest income, as well as the amortization of discounts or premiums using the effective interest method, are recorded in Net investment income and other in the Consolidated Statements of Income. Unrealized gains and losses on securities designated as part of a fair value hedging relationship are recorded in Net investment income and other in the Consolidated Statements of Income. Unrealized gains and losses on securities not designated as part of a hedging relationship or on securities designated as part of a cash flow hedging relationship are recorded in Other comprehensive income until realized or until the securities are other than temporarily impaired, at which time they are recorded in the Consolidated Statements of Income.

Held for trading securities comprise National Housing Act Mortgage Backed Securities (NHA MBS). Unrealized and realized gains and losses on held for trading securities as well as interest income are recorded in Net investment income and other in the Consolidated Statements of Income.

Loans

Loans are classified as loans and receivables and are carried at amortized cost less an allowance for credit losses. Interest income is accounted for on the accrual basis for all loans other than impaired loans and is recorded in Net investment income and other in the Consolidated Statements of Income.

A loan is classified as impaired when, in the opinion of management, there no longer is reasonable assurance of the timely collection of the full amount of principal and interest. A loan is also classified as impaired when interest or principal is contractually past due 90 days, except in circumstances where management has determined that the collectibility of principal and interest is not in doubt. Once a loan is classified as impaired, any accrued and unpaid interest income is reversed and charged against interest income in the current period. Thereafter interest income is recognized on a cash basis.

The Company maintains an allowance for credit losses which is considered adequate by management to absorb all credit related losses in its portfolio. Specific allowances are established as a result of reviews of individual loans. There is a second category of allowance, the designated general allowance, which is allocated against sectors rather than specifically against individual loans. This allowance is established where a prudent assessment by management suggests that losses have occurred but where such losses cannot yet be identified on an individual loan basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Securitizations

The Company periodically sells residential mortgages through Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization trusts that in turn issue securities to investors. During the second quarter of 2008, the Company commenced utilization of the National Housing Act Mortgage Backed Securities program (NHA MBS). NHA MBS are sold to a trust that issues securities to investors through the Canada Mortgage Bond Program (CMB Program), which is sponsored by CMHC. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. The Company also sells NHA-insured mortgages through the issuance of mortgage-backed securities.

Transfers of loans are accounted for as sales provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. The loans are removed from the Consolidated Balance Sheets and a gain or loss is recognized in income immediately based on the carrying value of the loans transferred. The carrying value is allocated between the assets transferred and the retained interests in proportion to their fair values at the date of transfer. To obtain the fair value of the Company's retained interests, quoted market prices are used if available. However, since quotes are generally not available for retained interests, the estimated fair value is based on the present value of future expected cash flows using management's best estimates of key assumptions such as prepayment rates, excess spread, expected credit losses and discount rates commensurate with the risks involved. Retained interests are classified as held for trading and any realized or unrealized gains and losses are recorded in Net investment income and other in the Consolidated Statements of Income. The Company continues to service the loans transferred. As a result, a servicing liability is recognized and amortized over the expected term of the transferred loans as servicing fees.

For all sales of loans, the gains or losses and the servicing fee revenue are reported in Net investment income and other in the Consolidated Statements of Income. The retained interests in the securitized loans are recorded in Other assets and the servicing liability is recorded in Other liabilities on the Consolidated Balance Sheets.

Deferred selling commissions

Commissions paid on the sale of certain mutual funds are deferred and amortized over a maximum period of seven years. Commissions paid on the sale of deposits are deferred and amortized over a maximum amortization period of five years. The Company regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value. At December 31, 2008, there were no indications of impairment to deferred selling commissions.

Capital assets

Capital assets, which are included in Other assets, are recorded at cost of $344.5 million (2007 – $311.5 million), less accumulated amortization of $243.1 million (2007 – $227.6 million). Buildings and related equipment and furnishings are amortized on a straight-line basis over their estimated useful lives, which range from 2 to 7 years for equipment and furnishings and 50 years for the building. Capital assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill and intangible assets

The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. Goodwill impairment testing is a two step process. Goodwill is first allocated to reporting units and impairment is assessed by comparing the value of a reporting unit to its carrying amount. If the fair value of the reporting unit exceeds its carrying value, no further testing is performed. If the fair value of the reporting unit is less than its carrying value, a second test is performed to compare the fair value of goodwill to its carrying value to determine the amount of impairment loss, if any. Indefinite life intangible assets are tested for impairment by comparing their fair value to their carrying amounts. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, not exceeding a period of 20 years. Definite life intangible assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

These tests involve the use of estimates and assumptions appropriate in the circumstances. In assessing fair value, valuation models are used that include discounted cash flows, comparable acquisitions and industry trading multiples. The models use assumptions that include levels of growth in assets under management from net sales and market, pricing and margin changes, synergies achieved on acquisition, discount rates, and observable data for comparable transactions. The Company has completed its annual impairment testing on goodwill, indefinite life intangible assets and finite life intangible assets and has determined that no impairment charge was necessary.

Employee future benefits

The Company maintains a number of employee future benefit plans. These plans include a funded defined benefit pension plan for all eligible employees, an unfunded supplementary executive retirement plan (SERP) for certain executive officers, and an unfunded post-retirement health care and life insurance plan for eligible retirees.

The defined benefit pension plan provides pensions based on length of service and final average earnings. An actuarial valuation is performed for funding purposes every three years. The most recent actuarial valuation was completed as at December 31, 2007 and the next required valuation will be completed based on a measurement date of December 31, 2010.

The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service based upon management's assumptions about the expected long-term rate of return on plan assets, discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. The discount rate used to value liabilities is based on market rates at the measurement date. Plan assets are valued at fair value for purposes of calculating the expected long-term rate of return. The defined benefit pension plan is invested in proprietary equity, balanced and fixed income mutual funds.

Benefit expense or income, which is included in Non-commission expense, includes the cost of pension or other post-retirement benefits provided in respect of the current year's service, interest cost on the accrued benefit liability, the expected return on plan assets and the amortization of actuarial gains or losses. Actuarial gains or losses with respect to the defined benefit pension plan and other post-retirement benefits are amortized over the expected average remaining service life of employees. Actuarial gains or losses with respect to the SERP are amortized over the expected remaining life of the members of the plan. These periods range from 9 to 18 years for the various benefit plans.

The accrued benefit asset or liability represents the cumulative difference between the expense and funding contributions and is included in Other assets or Other liabilities.

Stock-based compensation and other stock-based payments

The Company uses the fair value based method to account for stock options granted to employees. The fair value of stock options is determined on each grant date. Compensation expense is recognized over the period that the stock options vest, with a corresponding increase in Contributed surplus. When stock options are exercised, the proceeds together with the amount recorded in Contributed surplus are added to Share capital.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes

The Company follows the liability method in accounting for income taxes whereby future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are anticipated to be in effect when the temporary differences are expected to reverse.

Preferred share liabilities

The preferred shares, which can be settled at the Company's option by issuing a variable number of its own equity instruments, are classified as other liabilities. Preferred dividends are recorded in Interest expense in the Consolidated Statements of Income.

Earnings per share

Basic earnings per share is determined by dividing Net income by the average number of common shares outstanding for the year. Diluted earnings per share is determined using the same method as basic earnings per share except that the average number of common shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Company as determined by the treasury method.

Derivative financial instruments

Derivative financial instruments are utilized by the Company in the management of equity market and interest rate exposures. The Company does not utilize derivative financial instruments for speculative purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the Consolidated Balance Sheets or to anticipated future transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments are recorded at fair value in the Consolidated Balance Sheets and the changes in fair value are recorded in the Consolidated Statements of Income, except as described above for certain hedging derivatives.

The Company manages its exposure to market risk on its securities portfolio by either entering into forward sale contracts, purchasing a put option or by simultaneously purchasing a put option and writing a call option on the same security. Derivative instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness offset the changes in fair values or cash flows of hedged items. A hedge must be designated as a cash flow hedge, fair value hedge, or a hedge of a net investment in self-sustaining foreign operations. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the Consolidated Statements of Income. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in Other comprehensive income, which is reclassified to the Consolidated Statements of Income when the hedged transaction impacts earnings. The change in fair value of the ineffective portion of the derivative in a cash flow hedge must be recorded in the Consolidated Statements of Income.

The Company enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its mortgage banking and intermediary operations. These swap agreements require the periodic exchange of net interest payments without the exchange of the notional principal amount on which the payments are based. Changes in fair value are recorded in Net investment income and other in the Consolidated Statements of Income.

The Company also enters into total return swaps to manage its exposure to fluctuations in the total return of its common shares related to deferred compensation arrangements. These swap agreements require the periodic exchange of net contractual payments without the exchange of the notional principal amounts on which the payments are based. These instruments are not designated as hedges. Changes in fair value are recorded in Non-commission expense in the Consolidated Statements of Income.

Non-qualifying derivatives or derivatives not designated as hedges continue to be utilized on a basis consistent with the risk management policies of the Company and are monitored by the Company for effectiveness as economic hedges even if specific hedge accounting requirements are not met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Future accounting changes

On January 1, 2009, the Company will adopt CICA 3064, Goodwill and Intangible Assets. This standard contains revised guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operations.

The Canadian Accounting Standards Board has announced that Canadian GAAP will be replaced by International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board. Publicly accountable enterprises will be required to adopt IFRS on or by January 1, 2011. The Company will issue its initial Consolidated Financial Statements under IFRS, including comparative information, for the quarter ended March 31, 2011.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

2. SECURITIES

	2008		2007	
	COST	FAIR VALUE	COST	FAIR VALUE
Common shares	**$ 404,928**	**$ 261,769**	$ 614,102	$ 626,719
Investments in proprietary mutual funds	**33,360**	**28,518**	26,981	29,269
Fixed income securities	**229,969**	**231,289**	40,291	40,291
NHA MBS	**15,788**	**16,077**	–	–
	$ 684,045	**$ 537,653**	$ 681,374	$ 696,279

Common shares are classified as available for sale. Unrealized gains and losses on securities not designated as part of a hedging relationship are recorded in Other comprehensive income until realized. As at December 31, 2008, net unrealized losses on common shares were $143.2 million which was comprised of unrealized gains of $0.6 million and unrealized losses of $143.8 million. Unrealized gains and losses on common shares net of hedges were $14.6 million and $126.2 million respectively and are reported in Accumulated other comprehensive income. Common shares are measured periodically, or more frequently when conditions warrant, to determine whether there is objective evidence of an other-than-temporary impairment in value. The majority of unrealized losses occurred during the latter part of 2008 reflecting the current market environment and resulting price fluctuations. The Company holds a diversified portfolio of securities that consists primarily of well-capitalized, dividend-paying Canadian common shares that are included in the S&P TSX 60 Index. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for any recovery of their fair value. As at December 31, 2008, the Company concluded that the gross unrealized losses were temporary.

Fixed income securities of $231.3 million at December 31, 2008 are comprised primarily of Canadian chartered bank senior deposit notes and bankers' acceptances of $191.7 million and $35.3 million in non-bank-sponsored asset – backed commercial paper (ABCP). The Company's original investment in ABCP totalled $50.2 million. The Company reduced the fair value of the ABCP to $35.3 million by recording charges totalling $9.9 million in 2007 and charges of $2.5 million in each of the second and third quarters of 2008.

2. SECURITIES *(continued)*

On December 11, 2008, the Pan-Canadian Investors Committee (the Committee) announced that an agreement in principle had been reached among various key participants in the ABCP restructuring to make a number of significant changes to the restructuring plan. The Committee announced on December 24, 2008 that the governments of Canada and Quebec, with participation by Ontario and Alberta, together with certain participants in the restructuring, will provide additional margin facilities to support the proposed restructuring plan. The Superior Court of Ontario granted the Plan Implementation Order on January 12, 2009 and the Plan Implementation Certificate was certified by the Court on January 21, 2009, effectively closing the transaction.

The restructuring plan extends the maturity of the ABCP to provide for a maturity similar to that of the underlying assets. Trusts with ABCP supported in whole or in part by synthetic assets will pool their assets and note holders will receive senior Class A-1 and Class A-2 and subordinated Class B and Class C long-term floating rate notes. Trusts with ABCP supported by assets that have an exposure to U.S. mortgages and sub-prime mortgages for which the credit quality is uncertain, will be restructured on a series-by-series basis, with each series maintaining its separate exposure to its own assets. Note holders with exposure to this asset class will receive IA Tracking long-term floating rate notes.

A significant portion of the Company's investment in ABCP was represented by a combination of leveraged collateralized debt, synthetic assets and traditional securitized assets. The Company's allocation of senior Class A-1 and Class A-2 long-term floating rate notes represent in excess of 75% of the Company's original investment in ABCP. The senior notes have been assigned a rating of A by the Dominion Bond Rating Service and have a legal maturity date of July 15, 2056, however the expected repayment date of the notes is January 22, 2017.

The Company's valuation of the ABCP was based on its assessment of the prevailing conditions at December 31, 2008. The estimated fair value reflects the allocation of the floating rate notes the Company received which have a duration of approximately 7 years. The Company estimated the fair value of the senior and subordinated notes by discounting the expected cash flows at yields comparable to prevailing market yields and credit spreads available for securities with similar characteristics to the restructured notes and other market inputs reflecting the Company's best available information. The fair value of the IA Tracking long-term floating rate notes was estimated using observable market inputs from independent pricing sources or by discounted expected cash flows reflecting the Company's best available information, including reference to prevailing market yields on debt instruments in the Canadian market. As at December 31, 2008, an increase in the estimated discount rates of 100 basis points would reduce net income by $2.5 million.

The Company received its replacement notes in January 2009. The allocation of the notes received by the Company was consistent with the details previously provided by the Committee in the Information Certificate. The closing of the restructuring transaction is not expected to have a significant financial impact on the Company's operations or financial condition.

3. LOANS

	TERM TO MATURITY				
	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	2008 TOTAL	2007 TOTAL
Residential mortgages	$ 62,563	$ 221,164	$ 2,575	$ 286,302	$ 251,785
Commercial mortgages	32	685	–	717	891
	62,595	221,849	2,575	287,019	252,676
Investment loans	278,828	15,216	16,473	310,517	308,902
	$ 341,423	$ 237,065	$ 19,048	597,536	561,578
Less: General allowance				7,972	7,631
				$ 589,564	$ 553,947
Impaired loans included above				$ 498	$ 1,159
Less: General allowance				7,972	7,631
				$ (7,474)	$ (6,472)

The change in the allowance for credit losses is as follows:		
Balance, beginning of year	$ 7,631	$ 7,728
Write-offs	(218)	(144)
Recoveries	55	105
Provision for credit losses	504	(58)
Balance, end of year	$ 7,972	$ 7,631

4. SECURITIZATIONS

The Company securitizes residential mortgages through CMHC or Canadian bank sponsored securitization trusts. During the second quarter of 2008, the Company began issuing NHA MBS which are sold to a trust that issues securities to investors through the CMHC-sponsored CMB Program. Pre-tax gains (losses) on the sale of mortgages are reported in Net investment income and other in the Consolidated Statements of Income. Securitization activities for the years ended December 31, 2008 and 2007 were as follows:

	2008	2007
Residential mortgages securitized	$ 1,451,201	$ 1,298,549
Net cash proceeds	1,441,370	1,286,900
Fair value of retained interests	63,779	25,691
Pre-tax gain on sales	35,772	4,504

4. SECURITIZATIONS *(continued)*

The Company's retained interest in the securitized loans includes cash reserve accounts and rights to future excess spread. This retained interest is subordinated to the interests of the related CMHC or Canadian bank sponsored securitization trusts (CP conduits) and NHA MBS holders (the Purchasers). The Purchasers do not have recourse to the Company's other assets for any failure of the borrowers to pay when due.

The key economic assumptions used to value the retained interests at the date of securitization issuances for CMHC or Canadian bank sponsored securitization trusts transactions completed during 2008 and 2007 were as follows:

	2008	2007
Weighted-average		
Remaining service life (in years)	**4.5**	4.3
Excess spread	**1.09%**	0.51%
Prepayment rate	**15.00%**	15.00%
Discount rate	**4.14%**	5.11%
Servicing fees	**0.25%**	0.25%
Expected credit losses	**0.01%**	0.01%

At December 31, 2008, the fair value of the total retained interests was $216.5 million (2007 – $48.0 million). The sensitivity to immediate 10% or 20% adverse changes to key assumptions was considered to be immaterial.

The total loans reported on the Company's Consolidated Balance Sheets, the securitized loans serviced by the Company, as well as cash flows related to securitization arrangements are as follows:

	2008	2007
Mortgages	**$ 3,225,928**	$ 2,469,280
Investment loans	**306,811**	318,412
	3,532,739	2,787,692
Less: Securitized loans serviced	**2,943,175**	2,233,745
Total on-balance sheet loans	**$ 589,564**	$ 553,947
Net cash proceeds	**$ 1,441,370**	$ 1,286,900
Cash flows received on retained interests	**$ 32,518**	$ 12,661

5. INVESTMENT IN AFFILIATE

	2008	2007
Carrying value, beginning of year	**$ 560,683**	$ 549,237
Proportionate share of earnings	**90,423**	87,069
Dilution gain	**4,241**	–
Proportionate share of affiliate's impairment charge	**(60,346)**	–
Proportionate share of affiliate's gain	**25,003**	–
Dividends	**(45,345)**	(40,055)
Porportionate share of accumulated other comprehensive loss and other adjustments	**(217)**	(35,568)
Carrying value, end of year	**$ 574,442**	$ 560,683
Share of equity, end of year	**$ 440,820**	$ 419,621
Fair value, end of year	**$ 781,821**	$ 1,340,696

The Company's proportionate share of Lifeco's earnings is recorded in Net investment income and other in the Consolidated Statements of Income.

On December 30, 2008, Lifeco issued common shares by way of private placement with proceeds of $1.0 billion, in which the Company did not participate. The Company currently holds 37,787,388 (2007 – 37,787,388) shares of Lifeco, which represents an equity interest of 4.0% (2007 – 4.2%). As a result of the common shares issued by Lifeco, a dilution gain of $4.2 million (net of $7.2 million of goodwill disposed) was recognized in the fourth quarter of 2008 and is recorded in Net investment income and other in the Consolidated Statements of Income.

In the fourth quarter of 2008, Putnam LLC, a subsidiary of Lifeco in the United States division, recorded a non-cash impairment charge on indefinite life intangibles and goodwill. In addition, Lifeco wrote-off a future tax asset related to the intangible and goodwill impairment charge and recorded restructuring costs associated with Putnam LLC. The Company's proportionate share of the after-tax impairment charge and related expenses was $60.3 million.

In the second quarter of 2008, Lifeco recorded an after-tax gain on the sale of its healthcare business, Great-West Healthcare. Lifeco reported the gain in Net income from discontinued operations in the Summary of Consolidated Operations included in Lifeco's interim Consolidated Financial Statements. The Company's proportionate share of the after-tax gain on the sale was $25.0 million.

6. OTHER ASSETS

	2008	2007
Accounts and other receivables	**$ 248,306**	$ 205,405
Derivative instruments *(Note 20)*	**169,527**	14,897
Capital assets	**101,360**	83,865
Deferred and prepaid expenses	**55,615**	56,375
Accrued benefit asset *(Note 11)*	**46,738**	45,524
Funds held in escrow	**32,842**	54,119
Other	**2,489**	4,904
	$ 656,877	$ 465,089

7. GOODWILL AND INTANGIBLE ASSETS

During 2008, Mackenzie Financial Corporation (Mackenzie), a subsidiary of IGM Financial Inc., acquired Saxon Financial Inc. and its subsidiaries. During the fourth quarter, Mackenzie completed an evaluation of the fair value of assets acquired and liabilities assumed (Note 26). The amount assigned to intangible assets represents the fair value of mutual fund management and institutional contracts acquired. The management contracts have indefinite useful lives and are not subject to amortization. The institutional contracts are amortized on a straight-line basis over a useful life not to exceed 15 years.

During 2007, Mackenzie finalized the purchase price allocation of its 2006 acquisition of the assets of Cundill Investment Research Ltd. and related entities. The purchase price was allocated to indefinite-life and finite-life intangible assets and goodwill.

The changes in the carrying amount of goodwill are as follows:

2008	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Balance, beginning of year	**$ 1,347,781**	**$ 957,339**	**$ 78,678**	**$ 2,383,798**
Acquired during the year	**–**	**201,651**	**–**	**201,651**
Goodwill adjustment	**–**	**7,852**	**(984)**	**6,868**
Balance, end of year	**$ 1,347,781**	**$ 1,166,842**	**$ 77,694**	**$ 2,592,317**

2007	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Balance, beginning of year	$ 1,347,781	$ 943,550	$ 81,383	$ 2,372,714
Acquired during the year	–	–	393	393
Allocation of goodwill acquired in 2006	–	13,789	–	13,789
Goodwill adjustment	–	–	(3,098)	(3,098)
Balance, end of year	$ 1,347,781	$ 957,339	$ 78,678	$ 2,383,798

The components of other intangible assets are as follows:

2008	FINITE-LIFE	INDEFINITE-LIFE			
	DISTRIBUTION AND OTHER MANAGEMENT CONTRACTS	MUTUAL FUND MANAGEMENT CONTRACTS	TRADE NAMES	TOTAL	TOTAL
Cost	**$ 56,595**	**$ 695,759**	**$ 285,177**	**$ 980,936**	**$ 1,037,531**
Acquired during the year	**48,311**	**39,200**	**–**	**39,200**	**87,511**
Accumulated amortization	**(14,672)**	**–**	**–**	**–**	**(14,672)**
Carrying value	**$ 90,234**	**$ 734,959**	**$ 285,177**	**$ 1,020,136**	**$ 1,110,370**

7. GOODWILL AND INTANGIBLE ASSETS *(continued)*

	FINITE-LIFE	INDEFINITE-LIFE			2007
	DISTRIBUTION AND OTHER MANAGEMENT CONTRACTS	MUTUAL FUND MANAGEMENT CONTRACTS	TRADE NAMES	TOTAL	TOTAL
Cost	$ 27,092	$ 608,987	$ 268,368	$ 877,355	$ 904,447
Acquired during the year	5,877	48	–	48	5,925
Allocation of assets acquired in 2006	23,626	86,725	16,809	103,534	127,160
Accumulated amortization	(8,801)	–	–	–	(8,801)
Carrying value	$ 47,794	$ 695,760	$ 285,177	$ 980,937	$ 1,028,731

8. DEPOSITS AND CERTIFICATES

Included in the assets of the Consolidated Balance Sheets are cash and cash equivalents and loans amounting to $959.0 million (2007 – $856.9 million) related to deposits and certificates.

		TERM TO MATURITY				
	DEMAND	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	2008 TOTAL	2007 TOTAL
Deposits	**$ 726,983**	**$ 112,251**	**$ 113,013**	**$ 1,862**	**$ 954,109**	$ 851,181
Certificates	**–**	**253**	**1,680**	**2,957**	**4,890**	5,714
	$ 726,983	**$ 112,504**	**$ 114,693**	**$ 4,819**	**$ 958,999**	$ 856,895

9. BANKERS' ACCEPTANCES

A Schedule I Canadian chartered bank has provided the Company with a non-revolving bridge credit facility related to the acquisition of Saxon Financial Inc. The balance of the credit facility is due on October 27, 2009. The Company has the option to extend the maturity date to April 2010. Interest rates on the credit facility fluctuate with Canadian bankers' acceptances.

10. OTHER LIABILITIES

	2008	2007
Accounts payable and accrued liabilities	**$ 362,647**	$ 358,928
Derivative instruments *(Note 20)*	**141,764**	23,516
Dividends payable	**134,462**	121,529
Short-term borrowings	**99,967**	99,845
Taxes payable	**71,676**	169,738
Interest payable	**20,840**	13,254
Accrued benefit liabilities *(Note 11)*	**62,469**	57,501
Deferred revenue	**13,891**	19,650
	$ 907,716	$ 863,961

11. EMPLOYEE FUTURE BENEFITS

The Company maintains a number of employee future benefit plans. These plans include a funded defined benefit pension plan for all eligible employees, an unfunded supplementary executive retirement plan (SERP) for certain executive officers, and an unfunded post-retirement health care and life insurance plan for eligible retirees.

	2008			2007		
	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST-RETIREMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST-RETIREMENT BENEFITS
Fair value of plan assets						
Balance, beginning of year	**$ 207,702**	**$ –**	**$ –**	$ 207,231	$ –	$ –
Employee contributions	**3,522**	**–**	**–**	3,168	–	–
Benefits paid	**(7,927)**	**–**	**–**	(8,028)	–	–
Actual return on plan assets	**(51,238)**	**–**	**–**	5,331	–	–
Balance, end of year	**152,059**	**–**	**–**	207,702	–	–
Accrued benefit obligation						
Balance, beginning of year	**157,111**	**17,803**	**47,503**	154,493	18,088	42,341
Benefits paid	**(7,927)**	**(947)**	**(826)**	(8,028)	(894)	(770)
Current service cost	**6,722**	**–**	**2,345**	6,616	76	2,166
Employee contributions	**3,522**	**–**	**–**	3,168	–	–
Interest cost	**8,816**	**974**	**2,728**	8,235	928	2,391
Actuarial losses (gains)	**(40,721)**	**(3,098)**	**(13,748)**	(7,373)	(395)	1,375
Balance, end of year	**127,523**	**14,732**	**38,002**	157,111	17,803	47,503
Funded status – plan surplus (deficit)	**24,536**	**(14,732)**	**(38,002)**	50,591	(17,803)	(47,503)
Unamortized net actuarial losses (gains)	**22,202**	**(2,089)**	**(7,646)**	(5,067)	1,300	6,505
Accrued benefit asset (liability)	**$ 46,738**	**$ (16,821)**	**$ (45,648)**	$ 45,524	$ (16,503)	$ (40,998)

The asset allocation by asset category of the funds invested for the defined benefit pension plan is equity securities 76% (2007 – 56%), fixed income securities 22% (2007 – 42%) and cash equivalents 2% (2007 – 2%).

11. EMPLOYEE FUTURE BENEFITS *(continued)*

	2008			2007		
	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST-RETIREMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST-RETIREMENT BENEFITS
Benefit (income) expense was determined as follows:						
Current service cost	$ 6,722	$ –	$ 2,345	$ 6,616	$ 76	$ 2,166
Interest cost on accrued benefit obligation	8,816	974	2,728	8,235	928	2,391
Expected return on plan assets	(14,385)	–	–	(14,336)	–	–
Amortization of net actuarial (gains) losses	(2,366)	291	403	(2,781)	313	304
	$ (1,213)	$ 1,265	$ 5,476	$ (2,266)	$ 1,317	$ 4,861
Significant weighted-average actuarial assumptions:						
Discount rate	7.50%	7.44%	7.51%	5.57%	5.62%	5.53%
Expected long-term rate of return on plan assets	7.00%	N/A	N/A	7.00%	N/A	N/A
Rate of compensation increase	3.96%	2.75%	N/A	4.40%	2.75%	N/A
Health care cost trend rate(1)	N/A	N/A	7.00%	N/A	N/A	8.00%

(1) Trending to 5.00% in 2010 and remaining at that rate thereafter.

The effect of a 1% increase in assumed health care cost trend rates would be an increase in the accrued other post-retirement benefit obligation of $7.6 million as at December 31, 2008 and an increase in the 2008 other post-retirement benefit expense of $1.3 million. A decrease of 1% in assumed health care cost trend rates would result in a decrease in the accrued other post-retirement benefit obligation of $6.0 million as at December 31, 2008 and a decrease in the 2008 other post-retirement benefit expense of $1.0 million.

In addition, the Company maintains a group RSP available only to certain employees. In 2008, the Company's contributions were $5.7 million (2007 – $5.6 million). The contributions are expensed as paid.

12. INCOME TAXES

The Company's effective income tax rate is derived as follows:

	2008	2007
Income taxes at Canadian federal and provincial statutory rates	**32.37%**	35.18%
Effect of:		
Dividend income	**(0.50)**	(0.31)
Net capital gains and losses	**(0.35)**	(0.52)
Proportionate share of affiliate's earnings *(Note 5)*	**(3.08)**	(2.49)
Proportionate share of affiliate's impairment charge *(Note 5)*	**1.96**	–
Preferred dividends paid	**0.69**	0.60
Impact of rate changes on future income taxes related to indefinite life intangible assets	**–**	(1.23)
Other items	**(1.82)**	(2.55)
Effective income tax rate	**29.27%**	28.68%
Components of income tax expense are:		
Current income taxes	**$ 321,841**	$ 386,372
Future income taxes	**(29,290)**	(31,690)
	$ 292,551	$ 354,682

Future income taxes consist of the following taxable temporary differences:

	2008	2007
Future income tax assets		
Accrued benefit liabilities	**$ 16,949**	$ 16,032
Non-capital loss carry forwards	**11,253**	10,707
Other	**63,437**	40,946
	91,639	67,685
Future income tax liabilities		
Deferred selling commissions	**283,434**	313,257
Intangible assets	**156,568**	142,424
Accrued benefit asset	**12,738**	12,734
Other	**10,645**	14,026
	463,385	482,441
Future income taxes	**$ 371,746**	$ 414,756

As at December 31, 2008, the Company has non-capital losses of $42.2 million (2007 – $52.7 million) available to reduce future taxable income, the benefits of which have not been recognized. If not utilized, these losses will expire as follows: 2009 – $1.2 million; 2013 – $0.9 million, and 2014 – $40.1 million.

13. LONG-TERM DEBT

	RATE	MATURITY	2008	2007
Debentures in Series (1)				
1997	6.65%	December 13, 2027	$ 125,000	$ 125,000
2001	6.75%	May 9, 2011	450,000	450,000
2001	7.45%	May 9, 2031	150,000	150,000
2002	7.00%	December 31, 2032	175,000	175,000
2003	6.58%	March 7, 2018	150,000	150,000
2003	7.11%	March 7, 2033	150,000	150,000
			$ 1,200,000	$ 1,200,000

(1) The debentures are redeemable by the Company, in whole or in part, at any time, at the greater of par and a formula price based upon yields at the time of redemption.

Interest expense relating to long-term debt was $83.1 million (2007 – $83.1 million).

There are no principal payments due in each of the next five years except $450.0 million due in 2011.

14. SHARE CAPITAL

Authorized

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares

Issued and outstanding

	2008		2007	
	SHARES	STATED VALUE	SHARES	STATED VALUE
First preferred shares, Series A	14,400,000	$ 360,000	14,400,000	$ 360,000
Common shares				
Balance, beginning of year	264,192,998	$ 1,504,290	264,865,938	$ 1,493,954
Issued under Stock Option Plan *(Note 18)*	996,424	22,996	717,660	18,229
Purchased for cancellation	(2,824,800)	(16,176)	(1,390,600)	(7,893)
Balance, end of year	262,364,622	$ 1,511,110	264,192,998	$ 1,504,290

14. SHARE CAPITAL *(continued)*

Preferred share liabilities

The preferred shares are entitled to a fixed 5.75% annual non-cumulative dividend payable quarterly. Such shares are redeemable by the Company on or after June 30, 2009 in cash, at $26.00 per share if redeemed prior to June 30, 2010, $25.67 if redeemed on or after June 30, 2010, but prior to June 30, 2011, $25.33 if redeemed on or after June 30, 2011, but prior to June 30, 2012 and $25.00 if redeemed on or after June 30, 2012. On or after June 30, 2009, the Company may convert each preferred share into that number of common shares determined by dividing the then applicable redemption price by the greater of $2.00 and 95% of the weighted-average trading price of the common shares at such time. On or after June 30, 2013, subject to the right of the Company to redeem for cash or to find substitute purchasers for such shares, each preferred share will be convertible at the option of the holder into that number of common shares determined by dividing $25.00 by the greater of $2.00 and 95% of the weighted-average trading price of the common shares at such time.

Normal course issuer bid

The Company commenced a normal course issuer bid, effective for one year, on March 22, 2008. Under this bid, the Company may purchase up to 13.2 million or 5% of its common shares as at March 14, 2008. As at December 31, 2008, 2,824,800 shares were purchased at a cost of $118.2 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

On March 22, 2007, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 13.3 million or 5% of its common shares outstanding as at March 14, 2007. As at December 31, 2007, 1,390,600 shares were purchased at a cost of $71.6 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

15. CAPITAL MANAGEMENT

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt, preferred shares and shareholders' equity. The Company regularly assesses its capital management practices in response to changing economic conditions.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include trust companies, securities dealers and mutual fund dealers. The Company's subsidiaries have complied with all regulatory capital requirements.

Capital management activities for the year ended December 31, 2008 included: the repurchase of 2,824,800 common shares at a cost of $118.2 million under the normal course issuer bid (Note 14); and the declaration of preferred share dividends of $20.7 million and common share dividends of $526.1 million. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity. Long-term debt of $1.2 billion and preferred shares of $360 million remain unchanged.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	NET UNREALIZED GAINS (LOSSES), NET OF TAX			
	AVAILABLE FOR SALE SECURITIES	CASH FLOW HEDGES	OCL RELATED TO INVESTMENT IN AFFILIATE AND OTHER	TOTAL
2008				
Balance, beginning of year	**$ 18,334**	**$ –**	**$ (60,434)**	**$ (42,100)**
Other comprehensive income (loss)	**(130,365)**	**–**	**(594)**	**(130,959)**
Balance, end of year	**$ (112,031)**	**$ –**	**$ (61,028)**	**$ (173,059)**
2007				
Balance, beginning of year	$ –	$ –	$ (39,777)	$ (39,777)
Change in accounting policy *(Note 1)*	81,374	(35,035)	–	46,339
Other comprehensive income (loss)	(63,040)	35,035	(20,657)	(48,662)
Balance, end of year	$ 18,334	$ –	$ (60,434)	$ (42,100)

17. INCOME TAXES ON COMPONENTS OF OTHER COMPREHENSIVE INCOME (LOSS)

	2008	2007
Net unrealized gains (losses) on available for sale securities	**$ 21,027**	$ 14,341
Net unrealized gains (losses) on cash flow hedges	**–**	[illegible]
Total income taxes	**$ 21,027**	$ 6,822

18. STOCK-BASED COMPENSATION

Stock option plan

Under the terms of the Company's Stock Option Plan (Plan), options to purchase common shares are periodically granted to employees at prices not less than the weighted average trading price per common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. The options are subject to time and/or performance vesting conditions set out at the grant date and are exercisable no later than 10 years after the grant date. At December 31, 2008, 15,540,406 (2007 – 16,536,830) common shares were reserved for issuance under the Plan.

During 2008, the Company granted 1,164,866 options to employees (2007 – 1,565,820). A portion of the options granted to employees are subject to performance targets. The weighted-average fair value of time vesting options granted during the year ended December 31, 2008 has been estimated at $5.30 per option (2007 – $8.64) using the Black-Scholes option pricing model. The weighted-average fair value of performance based options granted during the year ended December 31, 2008 has been estimated at $1.62 per option (2007 – $4.63) using a barrier option pricing model. The assumptions used in these valuation models include: (i) risk-free interest rate of 3.27% (2007 – 3.97%), (ii) expected option life of six years (2007 – six years), (iii) expected volatility of 20.00% (2007 – 20.00%) and (iv) expected dividend yield of 4.53% (2007 – 3.36%).

The Company recorded compensation expense related to its stock option program of $7.3 million (2007 – $7.6 million).

18. STOCK-BASED COMPENSATION *(continued)*

	2008		2007	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Balance, beginning of year	**9,085,730**	**$ 33.47**	8,494,870	$ 29.66
Granted	**1,164,866**	**43.18**	1,565,820	50.91
Exercised	**(996,424)**	**22.04**	(717,660)	23.43
Forfeited	**(324,493)**	**45.23**	(257,300)	41.90
Balance, end of year	**8,929,679**	**$ 35.59**	9,085,730	$ 33.47
Exercisable, end of year	**4,657,554**	**$ 28.30**	4,768,705	$ 25.50

Options outstanding at December 31, 2008	EXPIRY DATE	EXERCISE PRICE ($)	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
	2009	**21.21 – 24.27**	**113,126**	**113,126**
	2010	**17.00**	**22,000**	**22,000**
	2011	**19.83 – 22.78**	**1,722,798**	**1,722,798**
	2012	**27.81**	**61,100**	**56,600**
	2013	**25.66 – 28.66**	**942,832**	**942,832**
	2014	**33.52 – 35.77**	**1,264,111**	**773,711**
	2015	**37.09 – 37.78**	**1,649,917**	**726,979**
	2016	**46.68**	**688,186**	**191,126**
	2017	**50.60 – 50.92**	**1,336,256**	**103,367**
	2018	**42.09 – 44.60**	**1,129,353**	**5,015**
			8,929,679	**4,657,554**

Share purchase plans

Under the Company's share purchase plans, eligible employees and financial planning consultants can elect each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of three years following the date of purchase. The Company's contributions are recorded in Non-commission expense as paid and totalled $11.0 million (2007 – $9.9 million).

18. STOCK-BASED COMPENSATION *(continued)*

Deferred share unit plan

The Company has a deferred share unit plan for the directors of the Company to promote a greater alignment of interest between directors and shareholders of the Company. Under the Plan, directors are required to receive 50% of their annual retainer in the form of deferred share units and may elect to receive the balance of their annual retainer in cash or deferred share units. Directors may elect to receive their attendance fees in a combination of deferred share units and cash. The number of deferred share units granted is determined by dividing the amount of remuneration payable by the average closing price on the Toronto Stock Exchange of the common shares of the Company on the last five days of the fiscal quarter (the "value of deferred share unit"). A director who has elected to receive deferred share units will receive additional deferred share units in respect of dividends payable on common shares, based on the value of a deferred share unit at the dividend payment date. Deferred share units are redeemable when a participant is no longer a director, officer or employee of the Company or any of its affiliates by a lump sum cash payment, based on the value of the deferred share units at that time. At December 31, 2008, the fair value of the deferred share units outstanding was \$6.3 million (2007 – \$7.3 million). Any differences between the change in fair value of the deferred share unit plan and the change in fair value of the total return swap utilized as an economic hedge for the deferred share unit plan are recognized in Non-commission expense during the period in which the change occurs.

19. RISK MANAGEMENT

The Company actively manages its liquidity, credit and market risks.

Liquidity risk related to financial instruments

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due.

The Company's liquidity management practices include: controls over liquidity management processes; stress testing of various operating scenarios; and oversight over liquidity management by Committees of the Board of Directors.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. The payment of commissions continue to be fully funded through ongoing cash flow from operations.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, residential mortgages are funded primarily through sales to third parties, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization trusts, private placements to institutional investors, or placed with Investors Mortgage and Short Term Income Fund or Investors Group's intermediary operations. During the second quarter of 2008, the Company was approved by CMHC as an issuer of National Housing Act Mortgage Backed Securities (NHA MBS) and as a seller into the Canada Mortgage Bond Program (CMB Program). All mortgages are sold on a fully-serviced basis. This issuer and seller status provides the Company with additional funding sources for residential mortgages (Note 4). The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions that are subject to change.

Liquidity requirements for trust subsidiaries which engage in financial intermediary activities are based on policies approved by the investment and conduct review committees of their respective Boards of Directors. As at December 31, 2008, liquidity for the trust subsidiaries was in compliance with these policies.

19. RISK MANAGEMENT *(continued)*

Liquidity risk related to financial instruments *(continued)*

The Company's contractual maturities were as follows:

As at December 31, 2008 (*$ millions*)	DEMAND	LESS THAN 1 YEAR	1 – 5 YEARS	AFTER 5 YEARS	TOTAL
Deposits and certificates	$ 727.0	$ 112.5	$ 114.7	$ 4.8	$ 959.0
Bankers' acceptances	–	–	286.6	–	286.6
Other liabilities	–	108.1	133.6	–	241.7
Long–term debt	–	–	450.0	750.0	1,200.0
Preferred shares	–	–	360.0	–	360.0
Operating leases(1)	–	42.4	110.2	96.1	248.7
Total contractual obligations	$ 727.0	$ 263.0	$ 1,455.1	$ 850.9	$ 3,296.0

(1) Includes office space and equipment used in the normal course of business. Lease payments are charged to earnings in the period of use.

In addition to the Company's current balance of cash and cash equivalents, other potential sources of liquidity include the Company's lines of credit and portfolio of securities. The Company increased its operating lines of credit with various Schedule I Canadian chartered banks to $475 million as at December 31, 2008 from $260 million as at December 31, 2007. The operating lines of credit as at December 31, 2008 consist of committed lines of $300 million (2007 – nil) and uncommitted lines of $175 million (2007 – $260 million). As at December 31, 2008, the Company had utilized $100.0 million of its uncommitted operating lines of credit, unchanged from December 31, 2007. Interest expense related to the lines of credit is based on bankers' acceptance rates.

In connection with the acquisition of Saxon Financial Inc. (Note 26) on September 25, 2008, the Company maintains a non-revolving bridge credit facility with a Schedule I chartered bank totalling $287 million. At December 31, 2008, the Company had utilized $287.0 million. The credit facility is due October 27, 2009 but may, at the Company's option, be extended to April 2010.

The Company can access the domestic debt and equity markets to raise capital, however, its ability to access capital markets to raise funds is dependent on market conditions which have been adversely affected by the current conditions.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above will be sufficient to fund the Company's liquidity needs. The Company's liquidity position and its management of liquidity risk have not changed materially since December 31, 2007.

Credit risk related to financial instruments

Credit risk is the potential for financial loss to the Company if a counterparty in a transaction fails to meet its obligations. The Company's cash and cash equivalents, securities holdings, mortgage and investment loan portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At December 31, 2008, cash and cash equivalents of $1.23 billion consisted of cash balances of $118.6 million on deposit with Canadian chartered banks and cash equivalents of $1.11 billion. Cash equivalents consist of Government of Canada treasury bills totalling $436.3 million, provincial government and government guaranteed commercial paper of $161.2 million and bankers' acceptances issued by Canadian chartered banks of $516.1 million. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

19. RISK MANAGEMENT *(continued)*

Credit risk related to financial instruments *(continued)*

Fixed income securities at December 31, 2008 include $191.7 million of Canadian chartered bank senior deposit notes and bankers' acceptances. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. Fixed income securities also include non-bank-sponsored ABCP, which totalled $35.3 million net of impairment charges and represents the maximum exposure to credit risk at December 31, 2008 (Note 2).

The Company regularly reviews the credit quality of the mortgage and investment loan portfolios and the adequacy of the general allowance. As at December 31, 2008 mortgages and investment loans totalled $287.0 million and $310.5 million, respectively. The allowance for credit losses of $8.0 million at December 31, 2008 exceeded impaired mortgages and investment loans by $7.5 million. As at December 31, 2008, the mortgage portfolios were geographically diverse, 100% residential and 64% insured. The credit risk on the investment loan portfolio is mitigated through the use of collateral, primarily in the form of mutual fund investments. Uninsured non-performing loans over 90 days in the mortgage and investment loan portfolios were $0.5 million at December 31, 2008, unchanged from December 31, 2007 levels. The characteristics of the mortgage and investment loan portfolios have not changed significantly during 2008.

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage and investment loan portfolios have not changed materially since December 31, 2007.

The Company regularly reviews the credit quality of the mortgage loans securitized through CMHC or Canadian bank sponsored (Schedule I chartered banks) securitization trusts. The maximum exposure to credit risk attributable to securitized mortgage loans is equal to the fair value of the retained interests in the securitized loans, which was $216.5 million at December 31, 2008 compared to $48.0 million in 2007. Retained interests include:

- Cash reserve accounts and rights to future excess spread which totalled $80.0 million at December 31, 2008. This portion of the retained interest is subordinated to the interests of the related CMHC or Canadian bank sponsored securitization trusts and represents the maximum exposure to credit risk for any failure of the borrowers to pay when due. Securitized mortgage loans serviced totalled $2.94 billion at December 31, 2008 compared to $2.23 billion in 2007. Uninsured non-performing loans over 90 days in these portfolios was nil at December 31, 2008 compared to $0.2 million at December 31, 2007. The Company's exposure to credit risk related to cash reserve accounts and rights to future excess spread was not significant at December 31, 2008.
- Fair value of interest rate swaps entered into by the Company with bank-sponsored securitization trusts. The outstanding notional amount of these interest rate swaps was $3.3 billion at December 31, 2008 compared to $2.2 billion in 2007. The fair value of the interest rate swaps was $136.5 million and the exposure to credit risk, which is limited to the fair value of the interest rate swaps which were in a gain position, totalled $153.6 million at December 31, 2008 compared to nil at December 31, 2007. Counterparties are all bank-sponsored securitization trusts and, as a result, management has determined that credit risk related to these interest rate swaps was not significant at December 31, 2008.

The Company also regularly reviews the credit ratings of derivative financial instrument counterparties. Derivative contracts are either exchange traded or negotiated in the over-the-counter market on a diversified basis with Schedule I chartered banks.

19. RISK MANAGEMENT *(continued)*

Credit risk related to financial instruments *(continued)*

The outstanding notional amount of derivative contracts, excluding interest rate swaps negotiated with bank-sponsored securitization trusts discussed above was $2.7 billion at December 31, 2008 compared to $2.2 billion at December 31, 2007. The increase in the notional amount related primarily to interest rate swaps utilized in the Company's mortgage banking operations. The exposure to credit risk, which is limited to the fair value of those instruments which were in a gain position, increased to $39.4 million at December 31, 2008 from $15.9 million at December 31, 2007 primarily due to the increase in the notional amount of interest rate swaps and to changes in interest rates during 2008. This does not give effect to any netting agreements or collateral arrangements. The Company's exposure to credit risk attributable to derivative contracts which were in a gain position increased significantly in 2008. In all cases, counterparties for derivatives are Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk is not significant at December 31, 2008. Management of credit risk has not changed materially since December 31, 2007.

Market risk related to financial instruments

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in interest rates, foreign exchange rates or equity prices. The Company's financial instruments are generally denominated in Canadian dollars, and do not have significant exposure to changes in foreign exchange rates.

The Company is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in the Company's mortgage banking and intermediary operations. The objective of the Company's asset liability management is to control interest rate risk by actively managing its interest rate exposure. As at December 31, 2008, the total gap between one-year deposit assets and liabilities was within the Company's stated guidelines. The Company utilizes interest rate swaps in order to reduce the impact of fluctuating interest rates on its mortgage banking and intermediary operations. As part of the securitization transactions with bank-sponsored securitization trusts the Company enters into interest rate swaps with the trusts which transfers the interest rate risk to the Company. The Company is also exposed to relative movements in short-term borrowing costs. Under securitization transactions with bank-sponsored securitization trusts the Company is exposed to ABCP rates. Changes in the relationship between ABCP rates and one-month BA rates may result in fluctuations in the value of these interest rate swaps. As part of the securitization transactions under the CMB Program, the Company enters into interest rate swaps with Schedule 1 chartered bank counterparties that transfer the interest rate risk including reinvestment risk to the Company. To manage interest rate and reinvestment risks, the Company enters into offsetting interest rate swaps with Schedule I chartered bank counterparties to reduce the impact of fluctuating interest rates. As at December 31, 2008, the impact of a 100-basis point change in interest rates to Net income would have been $3.0 million.

The Company is exposed to equity price risk on its securities holdings and on the related derivative financial instruments. The Company adheres to an Investment Policy that outlines the objectives, constraints and parameters relating to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Company. The Company manages its exposure to equity price risk on a portion of its corporate securities portfolio by using a variety of derivative instruments including options and forward contracts. Management regularly reviews the Company's investments to ensure all activities are in adherence to the Investment Policy. Common shares are reviewed periodically, or more frequently when conditions warrant, to determine whether there is objective evidence of an other-than-temporary impairment in value. A significant portion of unrealized losses occurred during the latter part of 2008 reflecting the current market environment and resulting price fluctuations. The Company holds a diversified portfolio of securities that consists primarily of well-capitalized, dividend-paying Canadian common shares that are included in the S&P TSX 60 Index. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for any recovery of their fair value. As at December 31, 2008, the Company concluded that the gross unrealized losses were temporary.

19. RISK MANAGEMENT *(continued)*

Market risk related to financial instruments *(continued)*

The Company's securities holdings are classified as available for sale, therefore unrealized gains and losses on securities that are not part of a designated hedging relationship are recorded in Other comprehensive income until realized. As at December 31, 2008, the impact of a 10% decrease in equity prices would have been a $21.4 million unrealized loss recorded in Other comprehensive income.

The Company's exposure to and management of interest rate risk and equity price risk has not changed materially since December 31, 2007.

Market risk related to assets under management

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management.

Changes in assets under management directly impact earnings as discussed more fully in the Investors Group and Mackenzie Segment Operating Results in the Company's Management Discussion and Analysis contained in the 2008 Annual Report to Shareholders.

20. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative contracts which are either exchange-traded or negotiated in the over-the-counter market on a diversified basis with Schedule I chartered banks or Canadian bank-sponsored securitization trusts that are also counterparties to the Company's securitization transactions. In all cases the derivative contracts are used for non-trading purposes. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Total return swaps are contractual agreements to exchange payments based on a specified notional amount and the underlying security for a specific period. Options are contractual agreements which convey the right, but not the obligation, to buy or sell specific securities at a fixed price at a future date. Forward sales are contractual agreements to sell a financial instrument on a future date at a specified price.

The amount subject to credit risk is limited to the current fair value of the instruments which are in a gain position. The credit risk is presented below without giving effect to any netting agreements or collateral arrangements and does not reflect actual or expected losses. The total estimated fair value represents the total amount that the Company would receive or pay to terminate all agreements at each year end. However, this would not result in a gain or loss to the Company as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

The following table summarizes the Company's derivative financial instruments at December 31:

	NOTIONAL AMOUNT					FAIR VALUE	
2008	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	CREDIT RISK	ASSET	LIABILITY
Swaps	**$ 953,211**	**$4,559,460**	**$ 404,277**	**$5,916,948**	**$ 160,003**	**$ 136,541**	**$ 141,174**
Options purchased	**42,632**	**–**	**–**	**42,632**	**20,456**	**20,456**	**–**
Options written	**29,988**	**–**	**–**	**29,988**	**–**	**–**	**590**
Forward contracts	**17,382**	**8,612**	**–**	**25,994**	**12,530**	**12,530**	**–**
	$1,043,213	**$4,568,072**	**$ 404,277**	**$6,015,562**	**$ 192,989**	**$ 169,527**	**$ 141,764**
2007							
Swaps	$ 820,211	$ 3,198,521	$ 146,205	$ 4,164,937	$ 1,042	$ 21	$ 18,948
Options purchased	72,493	36,218	–	108,711	14,337	14,337	–
Options written	78,123	24,208	–	102,331	–	–	4,568
Forward contracts	13,302	–	–	13,302	539	539	–
	$ 984,129	$ 3,258,947	$ 146,205	$ 4,389,281	$ 15,918	$ 14,897	$ 23,516

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the fair value of financial instruments using the valuation methods and assumptions described below. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties under no compulsion to act, and best evidenced by a quoted market price, if one exists. Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

	2008		2007	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	**$ 1,232,171**	**$ 1,232,171**	$ 1,180,284	$ 1,180,284
Securities	**537,653**	**537,653**	696,279	696,279
Loans	**589,564**	**591,708**	553,947	550,956
Other financial assets	**281,148**	**281,148**	259,524	259,524
Derivative assets	**169,527**	**169,527**	14,897	14,897
Total financial assets	**$ 2,810,063**	**$ 2,812,207**	$ 2,704,931	$ 2,701,940
Liabilities				
Deposits and certificates	**$ 958,999**	**$ 964,200**	$ 856,895	$ 856,999
Bankers' acceptances	**286,615**	**286,615**	–	–
Other financial liabilities	**689,592**	**689,592**	763,294	763,294
Derivative liabilities	**141,764**	**141,764**	23,516	23,516
Preferred share liabilities	**360,000**	**366,480**	360,000	391,536
Long-term debt	**1,200,000**	**1,206,193**	1,200,000	1,353,036
Total financial liabilities	**$ 3,636,970**	**$ 3,654,844**	$ 3,203,705	$ 3,388,381

Fair value is determined using the following methods and assumptions:

The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, other financial assets, and other financial liabilities.

Securities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk and maturity.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Preferred share liabilities are valued using quoted prices from active markets.

Long-term debt is valued by reference to current market prices for debentures and notes payable with similar terms and risks.

Derivative financial instruments fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

22. EARNINGS PER COMMON SHARE

	2008	2007
Earnings		
Net income before proportionate share of affiliate's gain	$ 705,796	$ 879,135
Proportionate share of affiliate's gain	25,003	–
Net income	$ 730,799	$ 879,135
Number of common shares *(in thousands)*		
Average number of common shares outstanding	263,323	264,604
Add: Potential exercise of outstanding stock options	1,485	2,699
Average number of common shares outstanding – Diluted basis	264,808	267,303
Earnings per common share *(in dollars)*		
Excluding proportionate share of affiliate's gain		
– Basic	$ 2.68	$ 3.32
– Diluted	$ 2.67	$ 3.29
Including proportionate share of affiliate's gain		
– Basic	$ 2.78	$ 3.32
– Diluted	$ 2.76	$ 3.29

In certain circumstances, the preferred shares referred to in Note 14 are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as the Company has the option to settle in cash instead of shares.

23. CONTINGENCIES, COMMITMENTS AND GUARANTEES

Contingencies

The Company is subject to legal actions, including class actions, arising in the normal course of its business. Two class actions related to alleged market timing trading activity in mutual funds of the companies are continuing. Investors Group entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Commitments

The Company is committed to the following annual lease payments under its operating leases: 2009 – $42.4 million; 2010 – $37.6 million; 2011 – $29.4 million; 2012 – $24.3 million; and 2013 and thereafter – $115.0 million.

Guarantees

In the normal course of operations, the Company executes agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions. The Company has also agreed to indemnify its directors and officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Company could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Company has not made any payments under such indemnification agreements. No amounts have been accrued related to these agreements.

24. RELATED PARTY TRANSACTIONS

The Company enters into transactions with The Great-West Life Assurance Company (Great-West), London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco, which is a subsidiary of Power Financial Corporation. These transactions are in the normal course of operations and have been recorded at the agreed upon exchange amounts.

During 2008 and 2007, the Company provided to and received from Great-West certain administrative services. The Company distributes insurance products under a distribution agreement with Great-West and Canada Life and received $39.7 million in distribution fees (2007 – $31.8 million). The Company received $13.0 million (2007 – $14.2 million) related to the provision of sub-advisory services for certain Great-West, London Life, and Canada Life segregated mutual funds. The Company paid $34.1 million (2007 – $30.9 million) to London Life related to the distribution of certain mutual funds of the Company.

During 2008, the Company sold residential mortgage loans to Great-West and London Life for $143.4 million (2007 – $153.7 million).

25. SEGMENTED INFORMATION

Investors Group and Mackenzie earn fee-based revenues in the conduct of their core business activities which are primarily related to the distribution, management and administration of their mutual funds. Fee revenues are also derived from the provision of brokerage services. Intermediary revenues are derived primarily from the assets funded by deposit and certificate products and from mortgage banking and servicing activities. In addition, Investors Group earns fee revenue from the distribution of insurance products and equity income from its investment in Lifeco (Note 5).

Corporate and Other includes Investment Planning Counsel, net investment income on unallocated investments, and interest expense on corporate debt.

The results of the reportable segments reflect the Company's internal financial reporting systems.

				2008
	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	$ 1,077,738	$ 749,992	$ 39,493	$ 1,867,223
Administration	210,693	136,144	2,412	349,249
Distribution	149,517	34,255	102,272	286,044
Net investment income and other	151,144	22,758	28,270	202,172
	1,589,092	943,149	172,447	2,704,688
Operating expenses				
Commissions	473,424	338,793	94,054	906,271
Non-commission	317,473	289,616	40,765	647,854
	790,897	628,409	134,819	1,554,125
Earnings before undernoted	$ 798,195	$ 314,740	$ 37,628	1,150,563
Interest expense				90,604
				1,059,959
Proportionate share of affiliate's impairment charge, net of tax				60,346
Income before income taxes, non-controlling interest and proportionate share of affiliate's gain				999,613
Income taxes				292,551
Income before non-controlling interest and proportionate share of affiliate's gain				707,062
Non-controlling interest				1,266
Net income before proportionate share of affiliate's gain				705,796
Proportionate share of affiliate's gain				25,003
Net income				$ 730,799
Identifiable assets	$ 1,773,835	$ 2,613,357	$ 1,254,488	$ 5,641,680
Goodwill	1,347,781	1,166,842	77,694	2,592,317
Total assets	$ 3,121,616	$ 3,780,199	$ 1,332,182	$ 8,233,997

25. SEGMENTED INFORMATION *(continued)*

				2007
	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	$ 1,176,732	$ 873,795	$ 45,505	$ 2,096,032
Administration	208,551	139,228	1,649	349,428
Distribution	127,097	30,348	98,056	255,501
Net investment income and other	126,201	19,962	47,983	194,146
	1,638,581	1,063,333	193,193	2,895,107
Operating expenses				
Commissions	460,060	395,307	91,686	947,053
Non-commission	293,598	292,890	36,500	622,988
	753,658	688,197	128,186	1,570,041
Earnings before undernoted	$ 884,923	$ 375,136	$ 65,007	1,325,066
Interest expense				88,330
Income before income taxes and non-controlling interest				1,236,736
Income taxes				354,682
Income before non-controlling interest				882,054
Non-controlling interest				2,919
Net income				$ 879,135
Identifiable assets	$ 1,556,402	$ 2,519,443	$ 1,398,952	$ 5,474,797
Goodwill	1,347,781	957,339	78,678	2,383,798
Total assets	$ 2,904,183	$ 3,476,782	$ 1,477,630	$ 7,858,595

26. ACQUISITION OF SAXON FINANCIAL INC.

On September 25, 2008, Mackenzie acquired 95.3% of the issued and outstanding shares of Saxon Financial Inc. (Saxon), a Canadian investment management company. The acquisition was by way of a take over bid. Mackenzie acquired the remaining Saxon common shares during the fourth quarter of 2008 under the compulsory acquisition provisions of the Business Corporations Act (Ontario). Total cash consideration was $289.7 million including transaction and other related costs.

The acquisition has been accounted for by the purchase method and the results of Saxon's operations have been included in the Consolidated Financial Statements from the date of acquisition.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Fair value of assets acquired	
Cash and cash equivalents	$ 24,968
Securities	11,438
Management contracts	39,200
Institutional contracts	47,700
Other assets	7,142
	130,448
Less fair value of liabilities assumed	
Other liabilities	35,252
Future income tax liability	7,164
	42,416
Fair value of net assets acquired	88,032
Goodwill	201,651
Total purchase consideration	$ 289,683

Included in Other liabilities are restructuring costs of $18.0 million related to the acquisition.

Quarterly Review

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31	2008				2007			
($ thousands, except per share amounts)	4	3	2	1	4	3	2	1
Fee and net investment income								
Management	$ 396,325	$ 476,929	$ 503,320	$ 490,649	$ 522,094	$ 531,636	$ 530,466	$ 511,836
Administration	84,248	88,098	89,401	87,502	90,255	90,740	84,676	83,757
Distribution	67,364	70,598	72,395	75,687	66,769	64,620	61,943	62,169
Net investment income and other	36,054	49,335	55,939	60,844	42,499	43,833	44,785	63,029
Total fee and net investment income	583,991	684,960	721,055	714,682	721,617	730,829	721,870	720,791
Operating expenses								
Commission expense	206,421	230,053	234,803	234,994	241,428	237,970	236,251	231,404
Non-commission expense	162,566	155,377	162,500	167,411	156,685	154,994	154,110	157,199
Interest expense	24,448	22,176	21,990	21,990	22,222	22,221	22,036	21,851
Total operating expenses	393,435	407,606	419,293	424,395	420,335	415,185	412,397	410,454
	190,556	277,354	301,762	290,287	301,282	315,644	309,473	310,337
Proportionate share of affiliate's impairment charge	60,346	–	–	–	–	–	–	–
Income before undernoted	130,210	277,354	301,762	290,287	301,282	315,644	309,473	310,337
Income taxes	50,367	78,352	85,277	78,555	66,317	96,424	92,794	99,147
	79,843	199,002	216,485	211,732	234,965	219,220	216,679	211,190
Non-controlling interest	42	308	387	529	630	823	825	641
Net income before undernoted	79,801	198,694	216,098	211,203	234,335	218,397	215,854	210,549
Proportionate share of affiliate's gain	–	–	25,003	–	–	–	–	–
Net income								
In accordance with GAAP	79,801	198,694	241,101	211,203	234,335	218,397	215,854	210,549
Adjusted net income[1]	140,147	198,694	216,098	211,203	219,067	218,397	215,854	210,549
Reconciliation of non-GAAP financial measures[1]								
Adjusted net income (non-GAAP)	$ 140,147	$ 198,694	$ 216,098	$ 211,203	$ 219,067	$ 218,397	$ 215,854	$ 210,549
Proportionate share of affiliate's impairment charge	60,346	–	–	–	–	–	–	–
Proportionate share of affiliate's gain	–	–	25,003	–	–	–	–	–
Non-cash income tax benefit	–	–	–	–	15,268	–	–	–
Net income (GAAP)	$ 79,801	$ 198,694	$ 241,101	$ 211,203	$ 234,335	$ 218,397	$ 215,854	$ 210,549
Diluted earnings per share *(¢)*								
In accordance with GAAP	30	75	91	79	88	82	81	79
Adjusted earnings per share	53	75	81	79	82	82	81	79
Dividends per share *(¢)*	51.25	51.25	48.75	48.75	46.00	46.00	42.75	42.75

STATISTICAL DATA *($ millions)*

Mutual funds								
Investors Group								
Sales	$ 1,237	$ 1,299	$ 1,457	$ 1,953	$ 1,637	$ 1,593	$ 1,719	$ 2,280
Redemption rate (%) – total	9.4	9.1	8.9	8.7	8.4	8.4	8.5	8.7
– long-term funds	7.9	7.7	7.6	7.4	7.3	7.3	7.4	7.7
Net sales (redemptions)	60	61	(6)	510	386	370	401	1,001
Assets under management	47,491	54,306	59,006	58,582	60,194	61,205	61,334	60,179
Mackenzie								
Sales	1,646	1,901	2,343	2,059	1,857	1,829	2,173	2,594
Redemption rate (%) – total	22.4	20.2	19.2	18.0	17.8	17.7	17.3	17.6
– long-term funds	18.7	16.9	15.6	14.4	14.1	14.2	14.2	14.8
Net sales (redemptions)	(869)	(312)	(94)	(278)	(248)	(212)	137	234
Assets under management	35,814	41,823	43,716	44,555	46,563	47,492	48,502	47,823
Investment Planning Counsel								
Sales	43	54	63	84	66	80	84	134
Redemption rate (%) – total	15.8	14.4	12.5	10.9	9.8	9.2	9.4	9.5
– long-term funds	14.8	13.7	11.9	10.3	9.4	8.8	9.1	9.2
Net sales (redemptions)	(33)	(25)	(25)	3	(1)	34	31	75
Assets under management	1,740	1,931	2,139	2,180	2,268	2,294	2,316	2,296
Combined mutual fund assets under management[2]	85,025	98,035	104,834	105,289	108,994	110,959	112,117	110,263
Total assets under management	101,742	118,535	119,669	118,957	122,982	124,228	125,862	123,414
Corporate assets	8,234	8,299	7,978	7,901	7,859	7,750	7,538	7,468
Consultants – Investors Group	4,479	4,411	4,360	4,342	4,331	4,225	4,093	3,985

(1) Refer to page 18 of the MD&A for an explanation of the Company's use of non-GAAP financial measures.
(2) Adjusted for inter-segment assets.

Ten Year Review

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31

($ thousands, except per share amounts)	2008	2007	2006	2005	2004	CAGR 5 YEAR %	2003	2002	2001	2000	1999	CAGR 10 YEAR
Fee income	2,502,516	2,700,961	2,392,298	2,164,472	1,955,740	*7.9*	1,714,373	1,813,205	1,626,934	1,075,504	939,656	*11.2*
Net investment income	202,172	194,146	212,300	183,108	163,331	*4.8*	159,808	126,510	133,515	121,604	86,782	*10.6*
	2,704,688	2,895,107	2,604,598	2,347,580	2,119,071	*7.6*	1,874,181	1,939,715	1,760,449	1,197,108	1,026,438	*11.2*
Operating expenses	1,644,729	1,658,371	1,494,613	1,372,222	1,256,555	*9.4*	1,050,722	1,133,066	1,176,427	690,398	612,300	*10.4*
	1,059,959	1,236,736	1,109,985	975,358	862,516	*5.2*	823,459	806,649	584,022	506,710	414,138	*12.6*
Dilution gain	–	–	–	–	–	–	14,820	–	–	–	–	-
	1,059,959	1,236,736	1,109,985	975,358	862,516	*4.8*	838,279	806,649	584,022	506,710	414,138	*12.6*
Proportionate share of affiliate's impairment charge	60,346	–	–	–	–	–	–	–	–	–	–	–
Income before undernoted	999,613	1,236,736	1,109,985	975,358	862,516	*3.6*	838,279	806,649	584,022	506,710	414,138	*11.9*
Income taxes	292,551	354,682	331,231	291,500	264,969	*(0.4)*	299,198	317,401	252,474	222,418	178,525	*8.0*
	707,062	882,054	778,754	683,858	597,547	*5.6*	539,081	489,248	331,548	284,292	235,613	*14.1*
Goodwill amortization, net of tax	–	–	–	–	–	–	–	–	71,969	267	–	
	707,062	882,054	778,754	683,858	597,547	*5.6*	539,081	489,248	259,579	284,025	235,613	*14.1*
Discontinued operations	–	–	–	–	–	–	–	1,811	116	–	–	
	707,062	882,054	778,754	683,858	597,547	*5.6*	539,081	491,059	259,695	284,025	235,613	*14.1*
Non-controlling interest	1,266	2,919	2,064	1,431	1,151	–	–	–	–	–	–	–
Net income before undernoted	705,796	879,135	776,690	682,427	596,396	*5.5*	539,081	491,059	259,695	284,025	235,613	*14.1*
Proportionate share of affiliate's gain	25,003	–	–	–	–	–	–	–	–	–	–	
Net income												
In accordance with GAAP	730,799	879,135	776,690	682,427	596,396	*6.3*	539,081	491,059	259,695	284,025	235,613	*14.5*
Adjusted net income(2)	766,142	863,867	763,042	682,427	615,577	*7.5*	533,563	491,059	392,637	284,292	235,613	*15.1*
Diluted earnings per share *($)*												
In accordance with GAAP	2.76	3.29	2.90	2.56	2.24	*6.3*	2.03	1.85	1.05	1.35	1.12	*12.0*
Adjusted earnings per share(2)	2.89	3.23	2.85	2.56	2.31	*7.5*	2.01	1.85	1.58	1.35	1.12	*12.5*
Dividends per share *(¢)*	200	178	154	134	115	*15.1*	99	86	73	61	49	*18.1*
Return on average common equity (ROE) *(%)*												
In accordance with GAAP	17.3	21.9	21.4	20.0	19.1	–	19.1	19.2	16.7	28.1	26.4	–
Adjusted ROE(2)	18.2	21.5	21.1	20.0	19.8	–	18.9	19.2	19.6	28.1	26.4	–
Average shares outstanding *(thousands)*												
– Basic	263,323	264,604	264,724	264,573	264,431	–	263,915	263,487	247,093	210,012	210,854	–
– Diluted	264,808	267,303	267,395	266,609	266,010	–	265,174	264,873	247,932	210,870	210,854	–
Share price *(closing $)*	35.45	50.03	49.10	46.12	36.64	*2.7*	31.05	26.75	25.50	25.95	20.60	*3.0*

Includes Mackenzie from date of acquisition (April 20, 2001).
Includes Investment Planning Counsel from date of acquisition (May 10, 2004).
(1) Compound annual growth rate.
(2) Non-GAAP Financial Measures – Items denoted as being excluded refer to:
2008 – Proportionate share of Great-West Lifeco Inc.'s after-tax impairment charge and proportionate share of Great-West Lifeco Inc.'s after-tax gain on the sale of its healthcare business, Great-West Healthcare as discussed on page 18 of the Management's Discussion and Analysis (MD&A).
2007 and 2006 – Non-cash income tax benefit as discussed on page 18 of the MD&A.
2004 – Unitholder compensation.
2003 – Dilution gain, restructuring reversal and non-cash income tax charge.
2001 and 2000 – Goodwill amortization and Mackenzie restructuring costs.

Ten Year Review

STATISTICAL INFORMATION

For the years ended December 31

($ millions)	2008	2007	2006	2005	2004	CAGR[1] 5 YEAR %	2003	2002	2001	2000	1999	CAGR[1] 10 YEAR %
Mutual funds												
Investors Group												
Sales	5,946	7,229	6,190	5,488	4,722	*8.1*	4,021	4,916	6,027	7,053	5,915	*(0.6)*
Redemption rates *(%)*												
– total	9.4	8.4	9.0	10.0	10.6	–	12.8	12.6	11.6	14.0	11.9	–
– long-term funds	7.9	7.3	7.9	8.7	9.1	–	10.7	10.2	9.6	11.7	9.8	–
Net sales (redemptions)	625	2,158	1,345	778	218	*N/M*	(839)	(109)	1,031	976	1,370	*(14.2)*
Assets under management	47,491	60,194	58,216	50,701	44,510	*3.0*	40,904	37,588	41,644	44,498	40,650	*2.8*
Mackenzie [2]												
Sales	7,949	8,453	8,424	8,075	6,786	*8.5*	5,282	5,998	3,454	–	–	–
Redemption rates *(%)*												
– total	22.4	17.8	17.8	17.6	16.9	–	17.3	17.6	16.7	–	–	–
– long-term funds	18.7	14.1	15.2	14.8	13.8	–	13.0	11.9	11.6	–	–	–
Net sales (redemptions)	(1,553)	(89)	658	1,175	795	*(86.4)*	(69)	288	24	–	–	–
Assets under management	35,814	46,563	46,600	41,592	37,298	*1.2*	33,770	30,860	33,400	–	–	–
Investment Planning Counsel												
Sales	244	364	352	407	259	–	–	–	–	–	–	–
Redemption rates *(%)*												
– total	15.8	9.8	9.8	10.2	10.5	–	–	–	–	–	–	–
– long-term funds	14.8	9.4	9.4	9.7	9.5	–	–	–	–	–	–	–
Net sales (redemptions)	(80)	139	155	237	161	–	–	–	–	–	–	–
Assets under management	1,740	2,268	2,206	1,858	1,497	–	–	–	–	–	–	–
Combined mutual fund assets under management [3]	85,025	108,994	106,987	94,116	83,273	*2.6*	74,674	68,448	75,044	44,498	40,650	*9.0*
Total assets under management	101,742	122,982	119,364	100,233	86,621	*5.8*	76,737	69,969	76,951	44,498	40,650	*10.9*
Corporate assets	8,234	7,859	7,333	6,807	6,473	*5.5*	6,292	5,987	6,122	1,985	1,812	*16.4*
Consultants – Investors Group	4,479	4,331	3,917	3,668	3,496	*6.8*	3,223	3,324	3,409	3,483	3,626	*1.7*

Includes Mackenzie from date of acquisition (April 20, 2001).
Includes Investment Planning Counsel from date of acquisition (May 10, 2004).
(1) Compound annual growth rate.
(2) For Canadian mutual fund operations only.
(3) Adjusted for inter-segment assets.

Board of Directors and Executive Officers

AS AT DECEMBER 31, 2008

Board of Directors

R. Jeffrey Orr
Chairman of the Board
IGM Financial Inc.

André Desmarais, O.C. [1,4,5,7]
Deputy Chairman, President and Co-Chief Executive Officer
Power Corporation of Canada
Co-Chairman
Power Financial Corporation

Paul Desmarais, Jr., O.C. [1,4,5,7]
Chairman and Co-Chief Executive Officer
Power Corporation of Canada
Co-Chairman
Power Financial Corporation

Daniel Johnson [1,4]
Counsel
McCarthy Tétrault LLP

The Right Honourable Donald F. Mazankowski, P.C., O.C., A.O.E. [1,2,4]
Company Director

John S. McCallum [2,3,6,7]
Professor of Finance
University of Manitoba

Raymond L. McFeetors
Chairman of the Board
Great-West Lifeco Inc.

R. Jeffrey Orr [1,4,5,7]
Chairman of the Board
IGM Financial Inc.
President and Chief Executive Officer
Power Financial Corporation

Roy W. Piper [2,3,5,6,7]
Self-Employed Farmer

Michel Plessis-Bélair, F.C.A.
Vice-Chairman
Power Corporation of Canada

Philip K. Ryan [1,4]
Chief Financial Officer
Power Corporation of Canada

Susan Sherk [1,3,5,6]
Senior Human Environment Associate
AMEC Earth and Environmental

Charles R. Sims [1,4]
Co-President and Chief Executive Officer
IGM Financial Inc.
President and Chief Executive Officer
Mackenzie Financial Corporation

Murray J. Taylor [1,4]
Co-President and Chief Executive Officer
IGM Financial Inc.
President and Chief Executive Officer
Investors Group Inc.

Gérard Veilleux, O.C., D.U. [3]
Vice-President
Power Corporation of Canada

Director Emeritus
The Honourable Paul Desmarais, P.C., C.C.

Executive Officers

Charles R. Sims
Co-President and Chief Executive Officer

Murray J. Taylor
Co-President and Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President and Chief Financial Officer

Geoffrey D. Creighton
Senior Vice-President, General Counsel and Secretary

Committees

1. Executive Committee
   Chair, R. Jeffrey Orr
2. Audit Committee
   Chair, The Right Honourable Donald F. Mazankowski, P.C., O.C., A.O.E.
3. Public Policy Committee
   Chair, Susan Sherk
4. Investment Committee
   Chair, R. Jeffrey Orr
5. Compensation Committee
   Chair, R. Jeffrey Orr
6. Related Party and Conduct Review Committee
   Chair, John S. McCallum
7. Governance and Nominating Committee
   Chair, R. Jeffrey Orr

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Fax: 204 947 1659

Auditors
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Transfer Agent and Registrar
Computershare Trust
Company of Canada

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Stock Exchange Listing
Toronto Stock Exchange
Shares of IGM Financial Inc. are listed on the Toronto Stock Exchange under the following listings:
Common Shares: IGM
First Preferred Shares, Series A: IGM.PR.A

Shareholder Information
For additional financial information about the Company, please contact:
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Chief Financial Officer
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For copies of the annual or quarterly reports, please contact the Corporate Secretary's office at (204) 956-8383 or visit our website at www.igmfinancial.com

Si vous préférez recevoir ce rapport annuel en français, veuillez vous adresser au Secrétaire de Société financière IGM Inc.,
447 Portage Avenue,
Winnipeg (Manitoba) R3C 3B6

Annual Meeting
The Annual Meeting of IGM Financial Inc. will be held at the offices of Mackenzie Financial Corporation, 180 Simcoe Street, Toronto, Ontario, Canada on Friday, May 1, 2009 at 10:00 a.m., EST.

Websites
Visit our websites at
www.igmfinancial.com
www.investorsgroup.com
www.mackenziefinancial.com
www.ipcc.ca

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